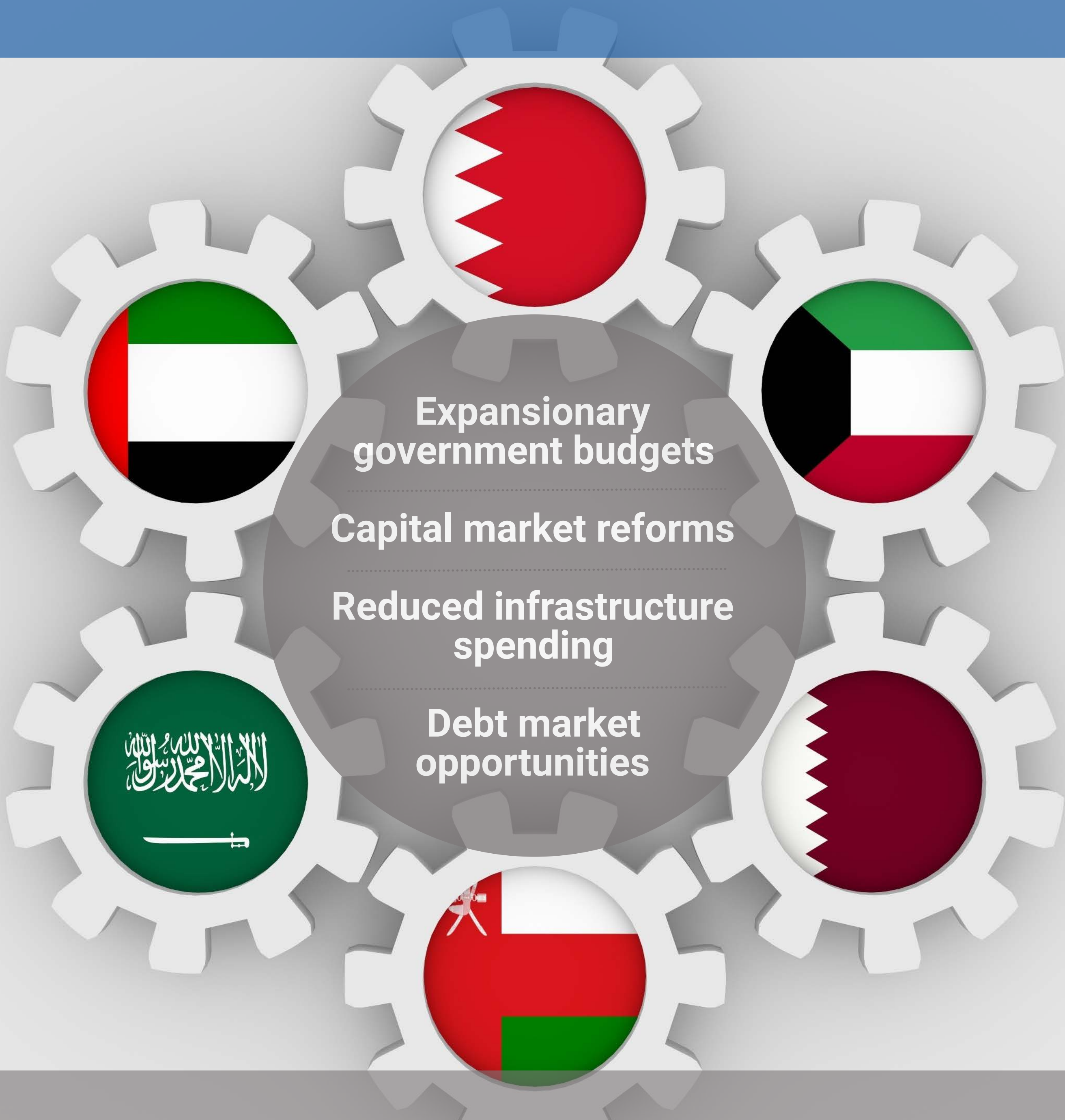
المركز
MARKAZ

GCC Economic Themes 2018



Analysis of key economic themes in GCC for 2018

www.markaz.com

Disclaimer

For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; Email: research@markaz.com ; Tel: 00965 1804800; Fax: 00965 22450647.

ECONOMIC RESEARCH REPORT

Authors

M.R. Raghu CFA, FRM
Head of Research
+965 2224 8280
rmandagolathur@markaz.com

Humoud Al Sabah
Assistant Manager
+965 224 8000 Ext : 1211
halsabah@markaz.com

Rajesh Dheenathayalan, CFA
Assistant Manager
+965 224 8000 Ext : 4608
RDheenathayalan@e-marmore.com

Table of Content

Executive Summary

Four themes cut across GCC as we step into 2018 in light of low oil price and heightened geopolitical tensions. They are:

1. Expansionary government budgets
2. Capital market reforms
3. Reduced infrastructure spending and
4. Debt market opportunities

While there are many economic events that made headlines during 2017 including the Neom project, we believe that the above four themes are reshaping the economic landscape of GCC region.

After oil entered into a new normal range of $40 to $50/bbl, GCC governments suffering from high fiscal and current account break even oil price, started tightening their budgets as an immediate response to low oil revenues. Expenditure were pruned and subsidies were cut while new taxes were imposed to augment non-oil revenues and reduce the fiscal deficit. All these steps yielded results where we can see that the breakeven oil price has come down for many GCC countries, fiscal deficit as a % of GDP has also come down providing the needed relief. Given the increased geo political risk engulfing the region, as well as to alleviate the short term pain of lower subsidies, GCC governments are now entering back on expansionary budgets for 2018. We notice this in Saudi Arabia, UAE and Qatar.

The low oil price environment is pushing the government to open up other financing avenues and we can count capital markets (debt and equity) to be an important component of activity. The capital market authorities in the region were busy introducing path breaking reforms, notable of which is the introduction of short-selling in Saudi market and inclusion of GCC markets in major indices like MSCI and FTSE. Aspiring countries to these indices (Saudi Arabia and Kuwait) were leading in the fore front in terms of introducing capital market reforms including setting up debt management offices to manage huge sovereign issuances. GCC debt market is offering fantastic opportunities for global investors to hunt for yields in an environment where emerging market bond spreads are the tightest.

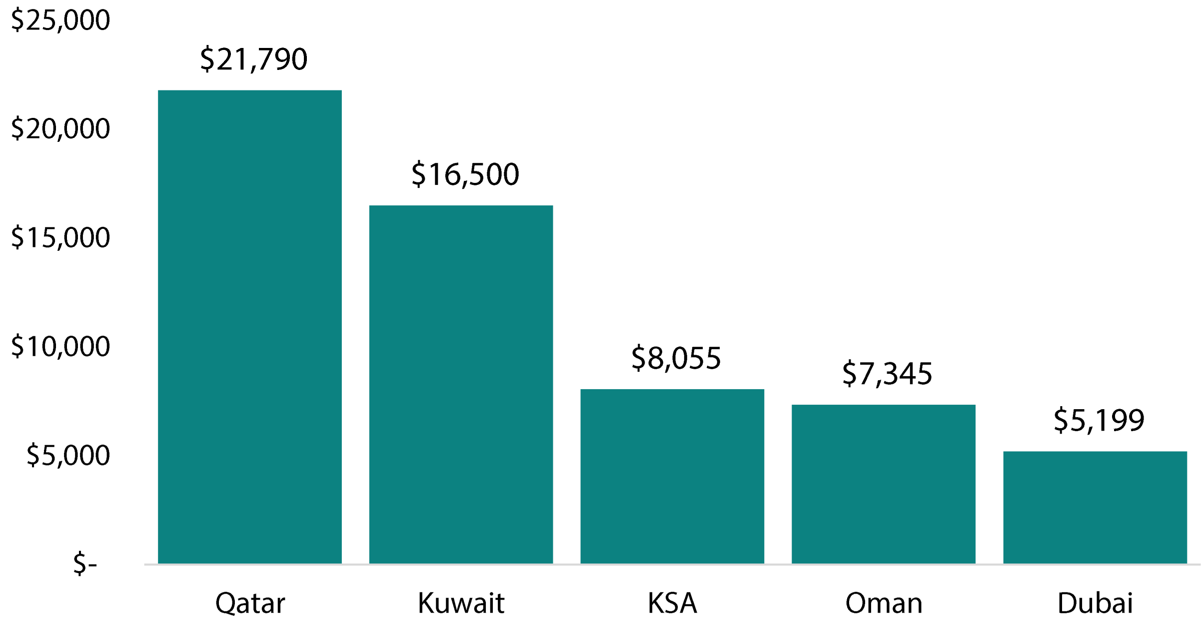
As an economic theme, last but not the least, is the impact low oil prices have on infrastructure spending. From $275 billion in 2008, infrastructure spending has come down to $53 billion in 2017. The tight fiscal situation prompted project cancellations and delays in payment to contractors. The small size project market also increased intense competition among contracting companies, already reeling in wafer thin margins and operational losses. We flag this as a major economic concern for 2018 and beyond.

Theme 1

GCC Governments Embrace Expansionary Fiscal Stance in their 2018 Budgets

On the backdrop of falling oil prices three years ago, GCC budgets entered an austerity phase where budgets were slashed to cope with dwindling coffers along with reducing the already bloated subsidy schemes. Price of oil recovered from 30 $/bbl in early 2016 to 60 $/bbl by the end of 2017. The initial oil recovery coupled with the need for growth has turned GCC budgets into an expansionary budget to aid in the diversification strategy away from hydrocarbons. Saudi Arabia leads the pack with its most massive budget yet, the kingdom announced its budget for 2018, expenditure is expected to reach USD 260 bn, and the Kingdom also announced that they would balance the budget by 2023 instead of their previous guidance of 2020. The U.A.E also announced an expansionary budget with zero deficits in 2018. The federal government announced USD 14 bn in 2018. It is interesting to note that each state has its own local budget. e.g., Dubai announced its 2018 budget spending is set to increase by 19.5% reaching USD 15 bn. Kuwait fiscal year starts on the first of April no official announcements on the type of budget. However, analysts presume that 2018/19 budget will be no different than 2017/18 budget, i.e., spending will remain capped at USD 63-66 bn with focus on capital spending. Qatar announced its 2018 budget and its spending is slightly up from 2017 to USD 56 bn while revenues are budgeted at USD 48 bn. The fiscal deficit is expected to narrow down by 1% from last year to USD7.7 bn, and if oil prices hold around USD 60+ the fiscal deficit could turn into a surplus. Qatar's budget will mainly focus on social services and implement projects ahead of FIFA World Cup 2022. In Oman, the government approved the budget for 2018 revenues are expected to reach USD 24.7 bn while spending is set at USD 32.5 Bn, the fiscal deficit will mimic last year's budgetary deficit of USD 7.8 bn

Budget per capita, 2018



Source: Marmore and Reuters,
Kuwait's budget is estimated, and the per capita budget takes only expenditure

Saudi Arabia 2018 Budget

Following austerity measures in the past couple of years which lead to muted growth, the Saudi government announced its largest budget to date. Revenues are budgeted at USD 209 bn while expenditures are set to reach USD 260 bn (Saudi sets record budget in 2018). The 2018 budget will focus mainly on healthcare, education, military spending and economic resources. The Council of Ministers also approved USD 19 bn stimulus package over a period of 4 years to revive growth in the private sector. 48% of the stimulus will target the housing market by providing residential housing loans and help promote the adoption of efficient building technologies projects. USD 2.6 bn of the stimulus package is earmarked for megaprojects in the private sector while USD 1.3 bn will be used to create an export bank and the remaining USD 2 bn will be used for SME Venture Capital and other investment programs. Capital injections in the Saudi Economy are not only limited to the budget; the Public Investment Fund (PIF) announced USD 22 bn in capital spending, while the National Development Fund is expected to spend USD 13 bn in 2018 on projects in line with vision 2030.

Although Saudi's budget is an expansionary one, the government is also curbing waste and boosting non-oil revenues. On the one hand Saudi Arabia will reduce subsidies on electricity tariffs and gasoline prices, and on the other hand, the government will introduce a 5% VAT tax, introduce levies on expats while increasing expat dependent fees and continue taxing "white land." The aforementioned fees and taxes will increase non-oil revenue by 37% YoY to USD 77 bn. The effect of reducing subsidies on citizens with low income will be countered by introducing the "citizens Account Program" the program will provide monthly payments to citizens drastically affected by the new reforms, i.e., A targeted subsidy scheme. The government will spend USD 8 Bn Annually on the Citizens Account Program.

Theme 2

Reform Spree Continues in GCC Capital Markets

The 2017 equity market performance in the GCC was mixed; Saudi Arabia, Bahrain and Kuwait posted marginal gains while UAE, Oman, and Qatar declined. The mixed results were mainly due to unfavorable geopolitical events which are expected to subside in 2018. The strength of capital markets in the GCC is as strong as the regulatory bodies that overlook the markets. Updated rules and regulations along with diligent enforcement send positive messages not only to local investors but also entice international investors to participate in the markets. The U.A.E and Qatar have come a long way in updating their rules, regulations and governance structure which led MSCI to include them in the MSCI Emerging market index. Kuwait and Saudi Arabia are striving to be included in the MSCI index which is evident by the reforms embarked by the respective capital markets authority. 2018 will reflect the reform measure taken by both countries. In Saudi Arabia, Capital market reforms include adjusting settlement cycle to T+2 and reviewing the criteria to allow smaller foreign investors to invest in the Saudi market directly. Due to the Saudi reform initiatives, the Saudi Market was added to the MSCI Emerging market watch list.

Short-selling in KSA

Tadawul also published draft rules for short-selling, and the borrowing and lending of securities. Saudi Arabia also launched a secondary equity market, for smaller and family-run firms, which aims to improve companies' access to capital. Short selling was introduced in the month of May becoming the first in the region. Short selling is expected to attract some new investors and provide additional liquidity. Introducing short selling is important in providing a wider range of financial products that will attract international investors and win Saudi Arabia a place in MSCI emerging markets.

Upgrade of Kuwait into FTSE EM Index

The Capital Market Authority in Kuwait has been moving forward with reforms since its inauguration in 2010. The pace of change was slow at first, but we noticed in the past couple of years the pace of reforms has increased. The reason for the fast pace reforms could be due to more clarity on the short-term goal which is to include Kuwait in the Emerging market index. The Capital Market Authority and Boursa Kuwait initiated reform measures to hasten the inclusion of Kuwait in the MSCI Emerging market index.

In the annual country classification review of FTSE for 2017, it was decided that Kuwait would be included under secondary emerging markets category from 2018 increasing the tally of GCC countries to 3 under secondary emerging markets. Saudi Arabia continues to remain on the watch list for a secondary market inclusion as it looks likely that the integration could be finalized during its status review in March 2018. Proactive measures taken by Boursa Kuwait in improving its trade settlement cycle, management of failed trades, improvement of custodial services and boosting market liquidity have started yielding results. UAE was promoted to FTSE's emerging index in 2010 but continued to remain as a frontier market with MSCI till 2013, due to settlement issues and restrictions on foreign ownership. Similarly, Kuwait is currently classified as 'Emerging Market' in FTSE but does not even make the watch list for an upgrade to EM in the MSCI index. The case was opposite for Qatar as it was included in MSCI EM index during 2013 while being promoted to secondary emerging market in the FTSE index as late as 2016 indicating that the inclusion in one index does not guarantee the inclusion in other. Kuwait met all nine criteria's to be classified as a secondary market in the FTSE index which come under three broad categories namely market and regulatory environment, custody and settlement, and dealing landscape. Market and regulatory environment included criteria for active market monitoring and facilitating investment or repatriation of capital and income. Custody and settlement included factors such as the settlement of failed trades, improvement in custodian services and change in settlement cycle. Finally, under dealing landscape, factors like liquidity, brokerage services, transaction costs and transparency were taken into consideration.

The inclusion of Kuwait into the index is expected to bring an estimated inflow of between USD 450 – 700mn as Kuwait is expected to weight 0.5% in FTSE EM + China A all cap index. Passive funds benchmarked to the MSCI EM Index amounts to USD 1.5 trillion while MSCI FM, where Kuwait is listed amounts to only USD 0.015 trillion showing that an upgrade in MSCI index would result in the flow of substantial investments. Although the inclusion of Kuwait in the FTSE secondary emerging market index is a welcome development, they must follow the route of UAE and Qatar to get listed in MSCI EM index as well. Areas like market liquidity, influx foreign investments, analyst coverage of stocks, IPOs need to be improved in order to become an actual emerging capital market.

CHAPTER 4

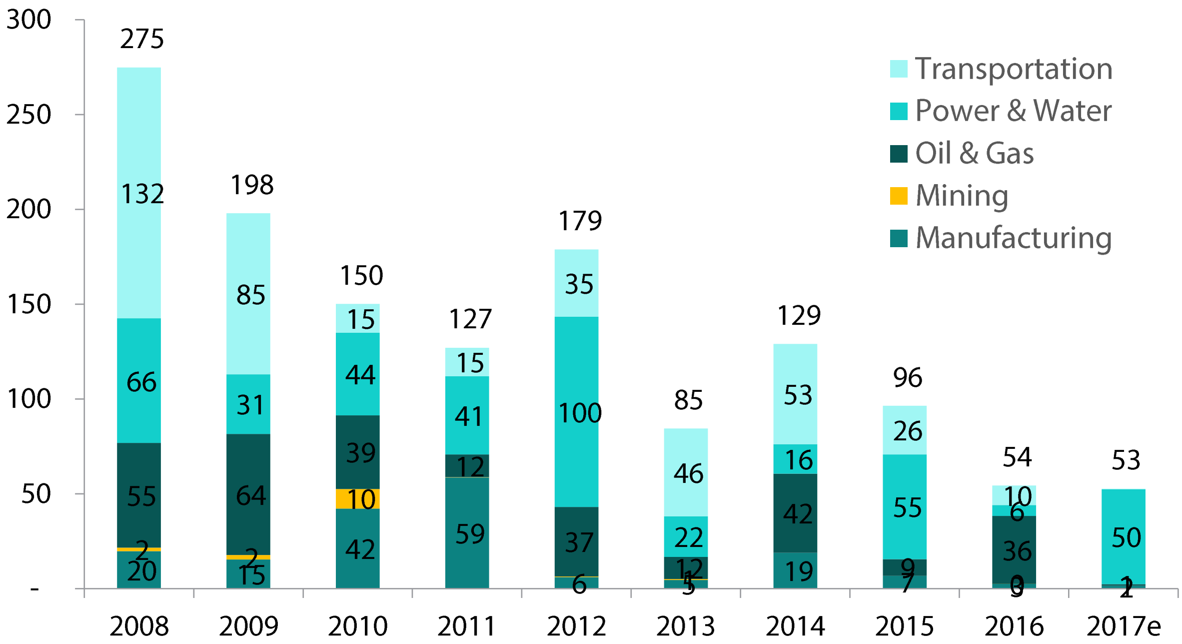
Theme 3

GCC Infrastructure Sector: Long road to recovery

Infrastructure contract awards remained muted in 2017

The last two years, since the mid-2015, characterised by a period of new normal oil prices had led to significant belt tightening measures by the governments amid falling revenues. As a result, among the GCC countries those with higher level of dependency on oil revenues, particularly Saudi Arabia got affected the most. Infrastructure sector which primarily dependent on government spending for new projects was directly hit. Governments across the region scrutinized their budgets in greater detail and prioritized expenditures to tackle the burgeoning fiscal deficits. Importance was provided only to critical and strategically important projects while other ambitious ones were either shelved or scrapped. The government austerity measures took its toll on infrastructure sector as the value of new contract awards in GCC stood at USD 53billion in 2017.

Value of Infrastructure Project Awards in GCC (USD bn)



Source: Reuters; Note: Infrastructure project awards doesn't include real estate projects

Challenges Aplenty

Lower project awards weren't the only headwind faced by the infrastructure sector. Reduced playing field, due to availability of lower projects to bid, increased the competition among existing players. Consequently, project pricing spiralled downwards as players started to bid projects majorly to cover their overheads and sustain their existence. This, significantly eroded their already wafer thin margins. Unfortunately, the decision making process in the government machinery also became protracted leading to deferred payments for contractors. Most of the companies continue to post operational cash losses and managing working capital remains a huge challenge. Introduction of VAT, electricity price hikes and reduction of subsidies for fuel adds further pain to the beleaguered sector.

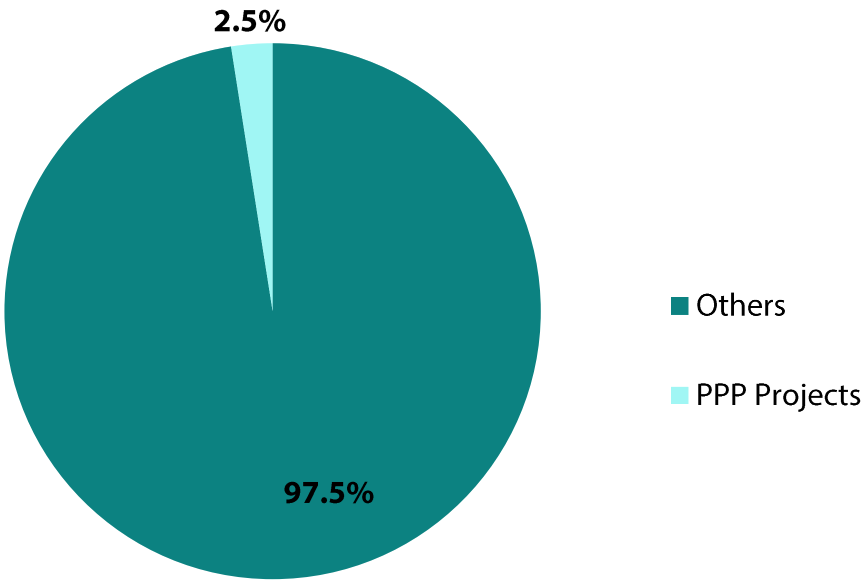
What is holding back the growth of Public Private Partnership (PPP) projects in GCC?

Constrained government spending and thrust by government authorities for increased private sector participation in building the economy should favour PPP as a mode of development for infrastructure projects in the GCC region. However, the reality is different with PPP projects accounting for less than 2.5% of overall infrastructure projects being executed in the region. To make matters worse, the second phase of Al-Zour North independent water and power project (IWPP) launched under the revised PPP law in Kuwait was cancelled in August, 2017. There is a history of projects in the region including Saudi Landbridge rail link & Subiya causeway in Kuwait, Mafraq-Ghuweifat highway in Abu Dhabi and football stadiums in Qatar that were launched as PPP projects, only to be abandoned later and replaced by a standard Engineering Procurement & Construction (EPC) contract.

Industry players and contractors opine that the necessary regulatory and legal framework for successful execution of PPP projects is still lacking in the GCC region. Further, the geopolitics events and the associated risk introduce uncertainty that scares off potential investors[1]. Challenges such as lack of transparency in awarding projects, timeliness with regard to project execution and absence of single window clearance for all approvals needs to be addressed at the earliest. The need for private players to bear the losses, in case of project cancellation mid-way instead of the government also needs to be changed. Otherwise investors could hold back from embracing this structure and we may not see a spurt in PPP projects in the GCC region.

[1] *MEED*

Proportion of PPP Projects in GCC (2013 to 2017)



Source: Reuters

Financing Infrastructure through Project Finance Bonds

In the next two years, the GCC region would require financing to the tune of USD 120bn to USD 150bn annually to meet its spending needs on social and physical infrastructure and to cater to the refinancing requirements[2]. Though GCC banks traditionally have operated with higher levels of capital, implementation of Basel III norms, expectations of slower deposit growth, increasing cost of borrowing and selective lending, particularly towards long-term tenure has led the infrastructure players to seek and secure alternative means of financing.

As an alternative to traditional bank finance, project finance bonds and Sukuk are being explored. Infrastructure assets and future cash flows are being increasingly monetized through bond issuance. Recently, Abu Dhabi Crude Oil Pipeline LLC (ADCOP) issued project bonds worth USD 3billion by monetizing its future cash flow streams that it would incur through its oil pipeline shipments. Acwa Power Management & Investment One monetised its future dividend payments that it would receive from its portfolio of power & water assets in Saudi Arabia.

Outlook for 2018

The sector has a long way to go and needs to grow its profitability and improve the cash generation ability. The transformation and recovery in margins could be supported by increasing operating efficiency. Working capital remains a challenge for most players as recovering legacy receivables amid payment delays by government hasn't improved as evidenced by the negative cash flow from operations. Recovery in oil prices and record budgets could support an uptick in infrastructure spending and construction sector activity across the GCC region.

[2] *S&P*

Theme 4

GCC Sovereign Debt Market Remains Vibrant

This year (2017) has been a record year for GCC sovereign and corporate debt. Sustained low oil prices and budget deficits since 2015 have led to an ever-growing appetite for issuance. Recently the national oil companies have been getting into the act too. With its sizeable USD 3 trillion pool of reserves and relatively low debt-to-GDP ratios, the GCC benefits from higher credit ratings relative to other Emerging Market (EM) issuers. The region's historically low level of debt issuance highlights the scarcity value of recent bonds and helps the GCC countries to take on more debt without affecting the country's financial stability.

Saudi Arabia

Out of the six GCC nations, Saudi Arabia undoubtedly has issued the most number of debt issues in 2017 totalling USD 12.5bn on the international market. Saudi Arabian authorities have hinted that they plan to raise most of their funds through the domestic route and only the remainder from international issuances. These debt issuances are expected to keep at bay the extreme drawdowns on the government's foreign reserves; it fell by almost 29% in 2016 but looks to be on stabilizing path in 2017 with the international issuances. Most of the proceeds are expected to go towards diversification of the economy including – localization of defence sector, enhancing the appeal of the country's mining sector and developing a vibrant renewable energy market.

Kuwait

Kuwait also announced its entry into the international bond market scene in 2017 with two bond offerings and priced them competitively against other GCC sovereigns. Kuwait's issuance came in two tranches – a USD 3.5 billion, 5-year tranche priced at 75 basis points (bps) over equivalent U.S treasuries and a USD 4.5 billion, 10-year tranche priced at 100 bps over U.S treasuries and spreads on these two surpassed even that of Abu Dhabi's which are considered gold standard by the investment community worldwide.

Abu Dhabi

Abu Dhabi sold its first ever 30 year sovereign bond in October, 2017 joining the list of GCC countries, with the exception of Kuwait to have a bond curve that goes beyond the ten year term. The initial pricing of the bonds suggested that they were generous considering that it planned to issue the bonds at a premium of 10 and 15 points over its existing 2021 and 2026 bonds. The demand for higher yielding quality issuances actually resulted in reduction of premium and Abu Dhabi finally sold USD 3 billion with a five-year tenor at 65 bps over U.S. Treasuries, a USD 4 billion bond with a 10-year tenor at plus 85 bps, and a USD 3 billion bond maturing in 2047 at plus 130 bps. All of the issuances were well below the initial guidance values.

Oman

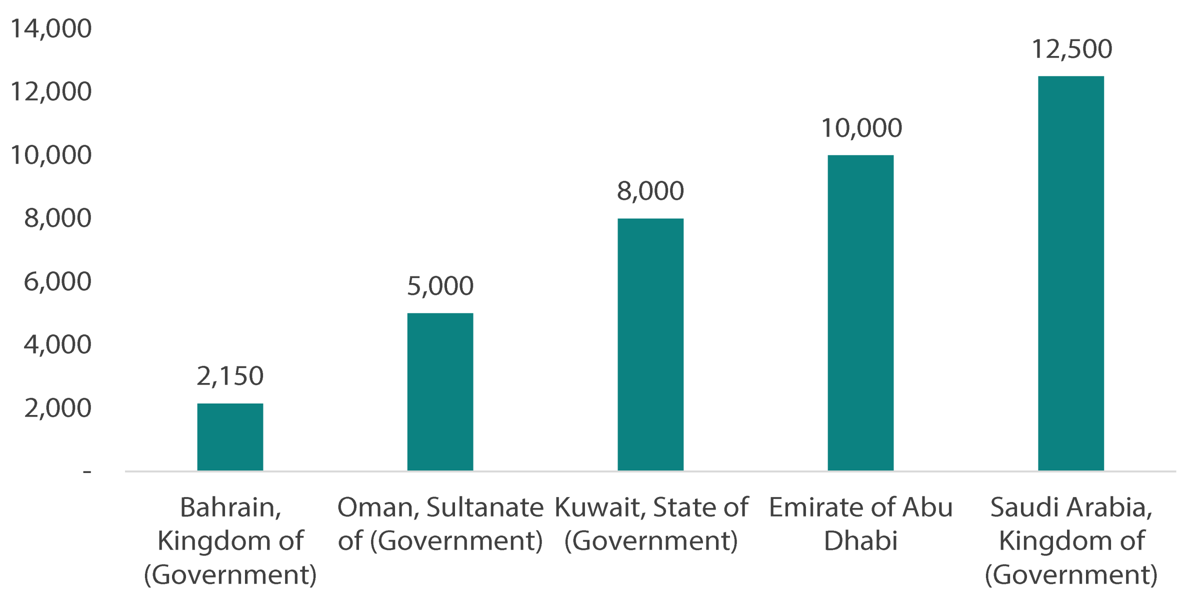
Oman issued USD 5Bn worth of bonds in March 2017 in three tranches and almost completing its entire foreign borrowing plan for 2017. The bond sale was almost double of what was expected from the investor community who placed orders worth USD 20Bn for this issue. The issuance reportedly covered 90% of the international borrowing plan and was done before the hike in US interest rates and its ratings downgrade allowing Oman to price the issue on favourable terms. The five-year bond was launched at 190 basis points over mid-swaps, the 10-year at 300 bps over and the 30-year at 387.5 bps over.

Bahrain

Bahrain also has approached the international market for raising its debt. In September, Bahrain issued two tranches of USD 1.25Bn and USD 900Mn for 10 and 30 years respectively. The former had a coupon of 6.75% while the latter had a coupon of 7.5%.

Qatar was notably absent from international bond owing to the ongoing diplomatic crisis in the region.

GCC – Sovereign Issuances in 2017 in the international market (USD mn)



Source: Reuters, as of Dec 2017

Looking ahead, GCC countries' ambitious spending plans ensure a continued need for bond issuance. The GCC faces high infrastructure project spending requirements at USD 120-150bn[1] annually (including transport-related projects) between now and 2019. Saudi Arabia's 'Vision 2030' program has huge infrastructure needs, but there are also sizeable infrastructure projects taking place in Qatar in relation to the 2022 football World Cup, as well as those relating to the Dubai Expo 2020, whilst other GCC countries such as Bahrain are looking to promote infrastructure as a way to boost economic growth.

While oil prices have increased in recent times, they are still not out of the woods. In fact, Kuwait's budgeted oil price seems to be in line with current oil prices. In order to have a balanced budget, Saudi Arabia will need an unlikely jump in the oil price to USD 70/bbl in 2018 and this is without factoring in the latest Saudi plans to boost spending next year[2]. Kuwait's financing needs are also expected to remain high and the fiscal deficit is expected to be 15% of the GDP generating financing needs of over USD 100bn the next five years excluding the transfers to Future Generations Fund (FGF) and investment income. UAE's position has been mostly manageable owing to the abundant financial reserves that are around 200% of the GDP. In fact, this has helped both Dubai and Abu Dhabi maintain high levels of public spending, particularly on infrastructure projects. In Dubai, infrastructure spending is set to accelerate in the run-up to the Expo 2020 event. Despite this the UAE government is still keen on raising funds from the global market. Recent upgrade from Moody's has also boosted the financial stability for the country and UAE is expected to tap global markets for its investment needs.

Bond investors across the globe have been left high and dry over the past few years driven by ultra-low interest rates. The current scenario is a result of the consorted efforts by Central banks around the world to pump in low cost money in order to invigorate their respective economies. After a long hiatus the Fed has decided to increase rates very gradually in the US starting second half of 2016, however other important markets such as the UK, Eurozone and Japan continue to have abysmally low levels of bond yields. This has created a dearth of investment opportunities for bond investors. Only recently has there been a talk of Eurozone economies ending their QE program in the second half of 2018. The desperation to invest in better yielding quality papers has wooed investors towards the emerging bond markets of the GCC.

---

[3] *S&P Forecast*

[4] *IMF Economic Outlook – October 2017*

Year Sovereign Bonds – A Comparison of Yield to Maturity (YTM)

S&P Rating	Country	Yield to Maturity	Issue date
AA	Belgium	0.81	17-Jan-17
	New Zealand	1.01	12-Jan-17
	France	1.28	22-Mar-17
	South Korea	2.87	12-Jan-17
	UAE (Abu Dhabi)	3.19	03-Oct-17
	Kuwait	3.50	13-Mar-17
AA-	Czech Republic	3.19	26-Jun-13
	Qatar	3.37	25-May-16
A-	Latvia	1.06	09-Feb-17
	Malaysia	3.18	20-Apr-16
	Saudi Arabia	3.76	27-Sep-17
BB	Brazil	4.67	03-Oct-17
	Paraguay	4.70	22-Mar-17
	Oman	5.43	01-Mar-17
	Turkey	5.65	16-Feb-17
BB-	Vietnam	4.80	06-Nov-14
	Bahrain	6.65	21-Feb-17

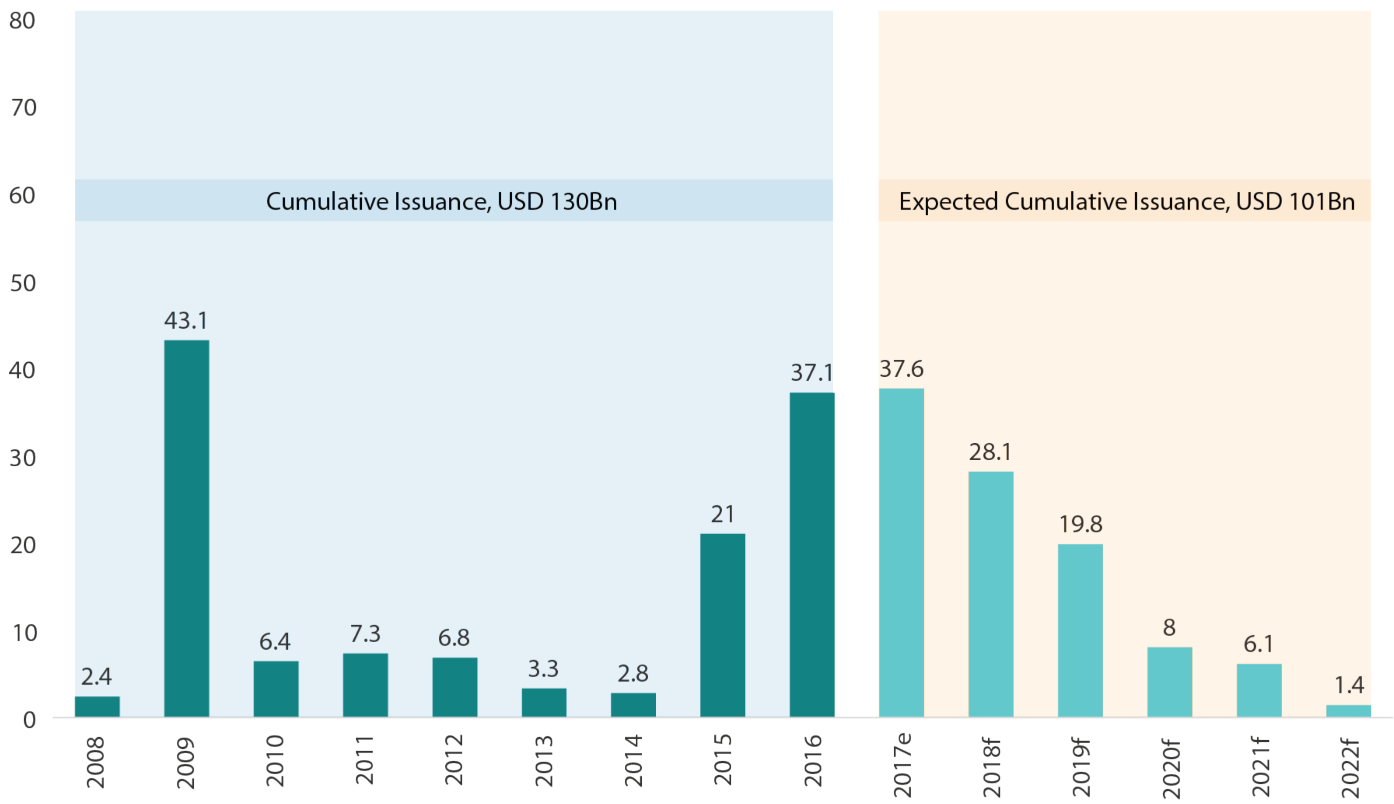
Source: Reuters, Marmore Research

New Sovereign Issuances in 2018

The governments in the region were very active in the bond market during 2017 mostly supported by the improving oil prices, prevailing low interest rates and robust demand for attractive sovereign issues. As we move into 2018, we expect the governments in the region to slightly lower their international borrowings during 2018. As per our model, we forecast that USD 28.1Bn would be raised by the GCC governments in 2018 which is roughly equivalent to 40% of the combined fiscal deficit forecasted for 2018.

Despite strong signs of interest rates moving up across the developed world, they are still among the lowest in the world and would definitely factor into the financing mix of the GCC governments who have close to USD 30 Bn of bonds coming up for refinancing. While the rating agencies have held a stable/positive outlook for the region, there are geopolitical undercurrents that might escalate into full-fledged predicament that might affect the outlook. Utilization of international issuances in 2017 have been in two major areas – rebuilding of financial buffers and offsetting the huge financial outflows; Qatar and Kuwait have mostly reflected the former while that of Saudi Arabia reflects the latter. Overall, we expect the financing mix to be composed of international issuances, reserves and domestic borrowings.

Yearly GCC Sovereign Debt Issuance (USD bn)



Source: Reuters, Marmore Research

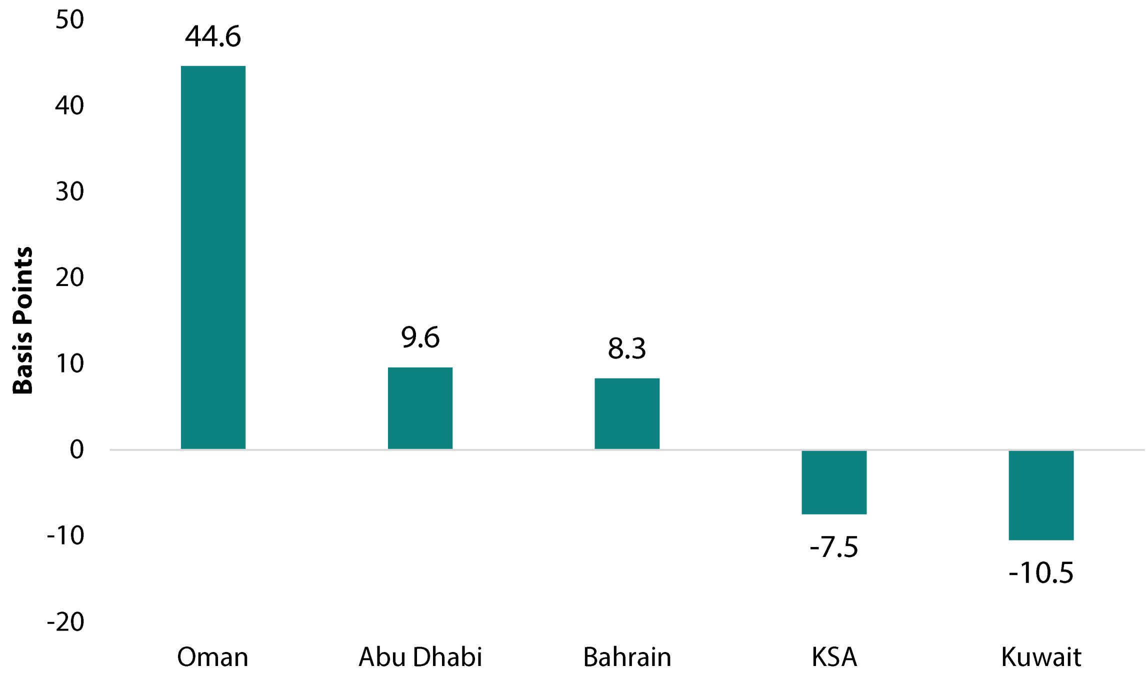
Headwinds

Cost of Issuance

During December 2017, the US Fed raised its benchmark interest rate to a range of 1.25%-1.5%. Analysts are expecting the fed to increase the rates on three more occasions during 2018 which is expected to increase the cost of the issuances; Yields from Gulf countries, all of whose currencies are solely pegged to the dollar with the exception of Kuwait's which is pegged to a basket of currencies, and as a result they are likely to raise. Kuwait, Saudi Arabia and Abu Dhabi have this year all issued bonds that are priced as over and above the yields of U.S T-bonds. Fall in bond prices would be a concern for international investors who have very recently taken a liking to the GCC Bonds. While the increase is expected to be measured and very carefully calibrated taking into consideration the local economic factors there is always the risk of the U.S Fed increasing the rate too much stifling the growth in its local economy and further depressing the oil prices; U.S is still one of the largest consumers of oil.

The yields on the ten year bonds of these countries were affected by the downgrades. Oman witnessed the highest changes in its yield to maturity over the one year period. In contrast, Bahrain's change was limited owing to support from other regional economies.

Change in Spreads of 10-year bond yields over the one year period



Source: Reuters, Marmore Research

Credit Ratings

Major ratings agencies such as S&P and Moody's have raised concerns about the widening fiscal deficit and region's ability to service its debt in the future. Bahrain has been the most affected by the rating downgrades, its fiscal deficit and debt concerns were a key reason behind the downgrades of the nation's long term credit rating in 2016. The situation continued to be worsened for Bahrain in 2017 as S&P reduced the country's ratings from BB- to B+ citing its weak external currency ratings weak external liquidity and increasing financial risk due to more limited access to international capital market financing. While all of the rating agencies have given a stable outlook for Bahrain, they are based on other sovereigns offering financial support to the country. Bahrain could face difficulties negotiating bond deals in the international markets in 2018 given the recent downgrades.

Oman's long-term credit rating was moved further into the junk territory recently by S&P, a second downgrade in the past one year. Lower oil revenues, exacerbated by the implementation of OPEC's production cut, and widening current account deficits were the main reasons behind the downgrade. With its external debt expected to exceed its external assets in 2018, its stable outlook could come under some pressure and resulting in further downgrades limiting its fund raising options. Following the significant deposit withdrawal from Qatar's banking system on account of diplomatic crisis, Qatar's rating was downgraded by a notch in 2017 to 'AA-' from 'AA'. Ratings of other major economies in the GCC region have remained resilient owing to the enormous foreign reserves that they possess.

S&P Rating Changes for GCC in 2017

	S&P Ratings	Kuwait	Qatar	UAE	KSA	Oman	Bahrain
Investment Grade	AAA						
	AA+						
	AA	Current	Prev.	Current			
	AA-		Current				
	A+						
	A						
	A-				Current		
	BBB+						
	BBB						
	BBB-					Prev.	
Junk	BB+						
	BB					Current	
	BB-						Prev.
	B+						Current

Source: S&P Ratings, Marmore Research

Geo Politics

The most unpredictable and significant risk factor is political risk, most notably the increasing tensions between Saudi Arabia and Iran playing out in Bahrain, Iraq, Lebanon, Qatar, Syria, and Yemen, charges of corruption against ministers and leading business figures in Saudi Arabia, and the ongoing diplomatic crisis of Qatar[5]. The current deadlock as it is remains mostly a non-concern to the international investors who have enthusiastically flocked to Bahrain's USD 3bn international issuances in September; its largest issuance till date that was oversubscribed by five times.

Local markets remain nascent

From being virtually debt-free, most of the GCC countries have been adding on debt to fund their budget shortfall. While 2017 has been a good year for bonds and it has attracted significant international investment, the local bond market remains in a nascent state, particularly with regards to its share of the investible universe. This puts the GCC region in a precarious position of relying on international markets to funds its debt. While this prospect might be attractive when global yields are low, they might not be favourable when yields start to rise.

[5] *S&P*

About marmore

Our vision

To be the first choice for obtaining strategic intelligence on the MENA region.

Our mission

Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making.

Our aim

Advocate intellectual research on MENA economies, businesses and financial markets and provide customized, actionable solutions.

Our foundation

- A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history
- Markaz research activities commenced in 2006
- Marmore established in 2010 to intensify the research activities
- Publishes research reports and provides consulting services

Consulting services

Marmore provides customized consulting services based on specific requirements of our clients. Marmore's bespoke consulting services marries the challenges of cost, time, scope and data availability to generate actionable outcomes that are specific to our clients' needs.

What type of consulting services we provide?

Industry market assessment (market size, competitors, regulations)
White label reports (industry reports, company newsletters, periodic research)
Databases (competitors' information, target clients insights)
Company valuation (buy/sell side advisory)
Due diligence / Business evaluation
Feasibility studies (market and financial)
Business plans
C-Suite support to leaders with intellectual, industry related needs

How do we execute consulting assignments?

Our seven step process to execute consulting engagements:

Step 1: Requirement and scope analysis
Step 2: Proposal submission
Step 3: Project initiation
Step 4: Fieldwork / research
Step 5: Analysis & reporting
Step 6: Review & approval
Step 7: Report submission / presentation

Published research

Industry research

Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

Economic research

These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

Infrastructure research

Infrastructure research highlights bottlenecks in the sector and areas requiring urgent investments. Our infrastructure report analyzes the link between economic development and infrastructure and showcases supply & demand challenges in the GCC and investment opportunities.

Capital market research

Capital market reports provide an analysis of stock & bond markets in the MENA region including outlook. These reports are strategic in nature and provides investment perspective to readers.

Policy research

Marmore has partnered with several leading thought lead institutions of repute to generate economic policy researc key areas like energy, labor, economic structure and publi

Periodic research

Our periodic reports capture GCC stock markets' earning premium studies, and economic development & outlook.

Regulatory research

Our regulatory research series is an effective consolidatio analysis and summary of key business, economic, and market regulations that impact business environment.

Contact Us

www.markaz.com
research@markaz.com
+965 22248200

Follow us