Fixed Income
Middle East & Africa 2025

Market Structure, Risk, and Return Dynamics

STRONGHOLD
GLOBAL CAPITAL GROUP

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In the absence of consistent region-wide fixed income data, GCC bond market data are used as a proxy for Middle Eastern fixed income, reflecting the GCC's dominance in regional issuance and liquidity. References to the Middle East therefore primarily reflect GCC market dynamics unless stated otherwise.

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1. Executive Summary

This report provides a comprehensive analysis of the fixed income landscape across the Middle East and Africa (MEA) for 2025, contextualizing regional dynamics within a global market estimated at USD 145 trillion. It examines the sharp divergence in monetary policy, contrasting the synchronized rate easing in the GCC with the fragmented and restrictive regimes persisting across key African economies. Furthermore, the report delineates structural differences in capital markets, analysing the resilience of GCC sovereign and corporate issuance—underpinned by robust Sukuk activity—against the liquidity constraints and refinancing risks characterizing African sovereign and corporate debt. The analysis concludes with a strategic outlook on return drivers and risk

Global Backdrop on Fixed Income Market

The global fixed income market reached approximately USD 145 trillion in 2024, dominated by government bonds and investment-grade credit which support liquidity and balance sheet management. High-yield bonds delivered the strongest returns during the period, driven by improved risk sentiment and expectations of monetary easing. Conversely, sukuk performance lagged due to lower volatility and a conservative investor base, indicating a broader market shift toward higher-risk assets as global confidence improved.

Interest Rate Environment

In 2025, GCC central banks mirrored the US Federal Reserve, shifting from restrictive rates of roughly 5.0% to an easing cycle starting in September, ending near 4.25–4.50% to support non-oil growth. Conversely, African markets displayed sharp divergence; stable economies like Morocco and South Africa lowered rates amid moderating inflation, whereas high-inflation markets like Nigeria and Egypt maintained restrictive regimes to stabilize exchange rates and contain persistent price pressures.

Sovereign Debt Markets

Middle Eastern sovereign markets demonstrate resilience with debt-to-GDP ratios generally below 50% and strong credit ratings, despite issuance volatility marked by a sharp October spike. In contrast, African sovereigns face elevated leverage, with major economies like Egypt exceeding 88% debt-to-GDP, constrained fiscal space, and reliance on concessional financing. While GCC outlooks remain stable, African credit profiles are heavily differentiated by debt affordability, reserve adequacy, and external refinancing risks.

Corporate Credit Markets

Middle Eastern corporate credit remained robust in 2025, driven by Saudi and UAE issuers utilizing strategic issuance windows for both conventional bonds and sukuk to fund growth and refinancing. Conversely, Africa's corporate market remains underdeveloped, heavily reliant on short-term syndicated loans rather than public bond markets. African issuance is constrained by limited secondary liquidity and a narrow issuer base, restricting long-dated financing to a few large, established entities.

Risks

MEA fixed income markets appear stable on the surface but remain highly vulnerable to macro, fiscal, and structural risks. Elevated global yields, weak sovereign credit profiles, liquidity constraints, currency exposure, and political uncertainty particularly in Africa require selective exposure, higher risk premia, and disciplined pricing by investors.

Future Outlook

MEA fixed income returns will be driven by carry, selective credit, and disciplined duration positioning. GCC markets benefit from easing monetary policy, strong fiscal buffers, and resilient corporate issuance, while Africa faces divergent monetary paths, elevated refinancing risk, and constrained sovereign and corporate market access, reinforcing the need for differentiated, selective exposure.

2. Global Backdrop on Fixed Income Market

2.1 Global Fixed Income Context Market Size and Composition

The global fixed income market remains the largest segment of global capital markets, with total outstanding debt estimated at approximately **USD 145 trillion in 2024**. According to the Securities Industry and Financial Markets Association (SIFMA), global debt securities outstanding have expanded steadily, driven by sovereign and corporate issuance to finance fiscal deficits, infrastructure investment, and balance sheet management. Government bonds represent the largest share of this universe, supported by central bank reserve demand and regulatory requirements for high-quality liquid assets.

Within the total fixed income market:

- **Government bonds** account for roughly **USD 65–70 trillion**, forming the core of sovereign debt markets globally.
- **Investment grade credit** constitutes about **USD 45–50 trillion**, with developed market corporates dominating issuance.
- The remaining universe includes **high yield corporate bonds, asset-backed securities, and emerging market debt instruments**.

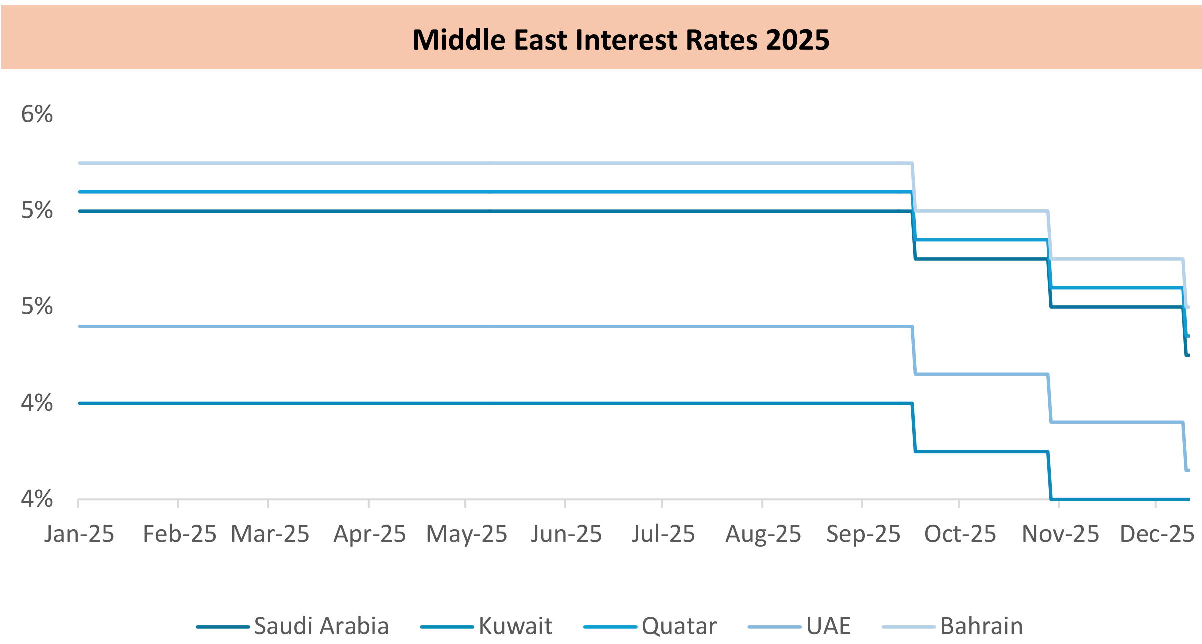
3. Interest Rate Environment

3.1 Interest Rate Environment in the Middle East 2025

Middle East policy rates remained elevated and stable through most of 2025, reflecting tight global financial conditions and the region's commitment to currency pegs. From January to early September, benchmark rates stood at approximately 5.0% in Saudi Arabia, 4.0% in Kuwait, 5.1% in Qatar, 4.4% in the UAE, and 5.25% in Bahrain, indicating a prolonged restrictive stance.

A gradual easing cycle began from mid-September 2025, with cumulative cuts of 75 bps in Saudi Arabia, 50 bps in Kuwait, 75 bps in Qatar, 75 bps in the UAE, and 75 bps in Bahrain by year-end. By December 2025, policy rates declined to around 4.25 – 4.50% across most GCC markets, as reflected in the data.

The primary driver of this decline was monetary policy alignment with the US Federal Reserve, given the GCC's dollar-pegged exchange rate regimes. As the Fed shifted toward easing amid slowing inflation and softer growth, GCC central banks followed to preserve currency stability and avoid capital flow distortions. In parallel, inflation across the GCC remained subdued, generally below 2 – 2.5%, reducing the need for restrictive real rates. Additionally, rate cuts aimed to support non-oil growth, private credit expansion, and investment, particularly under national diversification agendas.



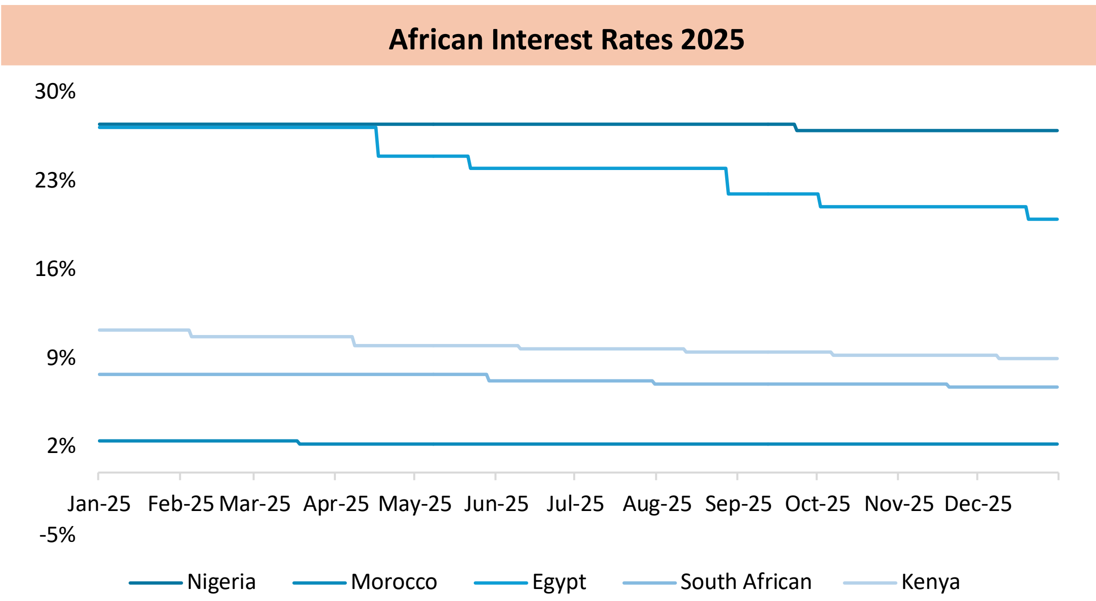
Source: Trading Economics, Interest rate data

Key Themes Explaining Rate Reductions in the GCC:

- **US Federal Reserve Policy Transmission:** GCC monetary policy remains closely tied to the US Federal Reserve due to long-standing dollar pegs. As the Fed initiated rate cuts in the second half of 2025, GCC central banks mirrored these moves to maintain exchange rate stability and limit capital outflows. This resulted in largely synchronized easing across Saudi Arabia, Kuwait, Qatar, the UAE, and Bahrain.
- **Subdued Inflation Environment:** Inflation across the GCC remained structurally low in 2025, supported by government price controls, fuel subsidies, and stable food and housing costs. Headline inflation in most GCC economies stayed below 2 – 2.5%, reducing the need for restrictive policy rates and allowing central banks to lower borrowing costs without risking price instability.
- **Support for Non-Oil Growth and Credit Conditions:** With non-oil sectors becoming a larger contributor to GDP, lower interest rates were used to support private sector credit growth, infrastructure spending, and investment under economic diversification programs. Easing financial conditions helped sustain momentum in real estate, manufacturing, logistics, and services.
- **Strong External and Fiscal Buffers:** High foreign exchange reserves, comfortable fiscal balances, and lower sovereign risk profiles provided GCC central banks with flexibility to ease policy. These buffers reduced concerns around currency pressure and macroeconomic instability, enabling a measured and orderly rate-cutting cycle.

3.2 Interest Rate Environment in Key African Markets 2025

Interest rate conditions across major African economies in 2025 remained highly divergent, reflecting differences in inflation dynamics, fiscal positions, and external vulnerabilities. Nigeria and Egypt maintained exceptionally tight monetary policy stances, with benchmark rates starting the year at 28% and 27% respectively, among the highest globally. These elevated levels were aimed at anchoring inflation expectations, stabilizing currencies, and supporting capital inflows.



Source: Trading Economics, Interest rate data

By contrast, Morocco operated in a low-rate environment, with policy rates declining from 3% to 2% by March 2025, reflecting subdued inflation and stronger monetary credibility. South Africa followed a gradual easing path, cutting rates from 8% to 7% by mid-2025, while Kenya reduced rates from 11% to 9% toward the end of the year as inflation moderated.

Overall, the data highlights a selective and country-specific easing cycle, with frontier and high-inflation economies maintaining restrictive policy for longer, while more stable macroeconomic environments allowed earlier and deeper rate cuts.

Key Themes Explaining Interest Rate Movements in Africa

- **Inflation and Recalibration Across Africa:** Africa's central banks recalibrated their monetary stances in 2025 as inflation eased in several economies, allowing some to begin easing rate cycles after years of tightening to curb inflation.
- **High Restrictive Regimes and Inflation Control:** As of late 2025, Nigeria and Egypt remained among the most restrictive monetary regimes in Africa, reflecting ongoing efforts to contain inflation and stabilise exchange rates before considering deeper easing.
- **Country-Specific Easing and Rate Cuts:** Egypt's central bank cut policy rates by hundreds of basis points in 2025 as inflation trends moderated, signalling normalisation after prior high inflation. Kenya cut its policy rate multiple times in 2025, aiming to stimulate lending and support economic activity amid stable inflation.

4. Sovereign Debt Markets

4.1 Sovereign Debt Markets in the Middle East

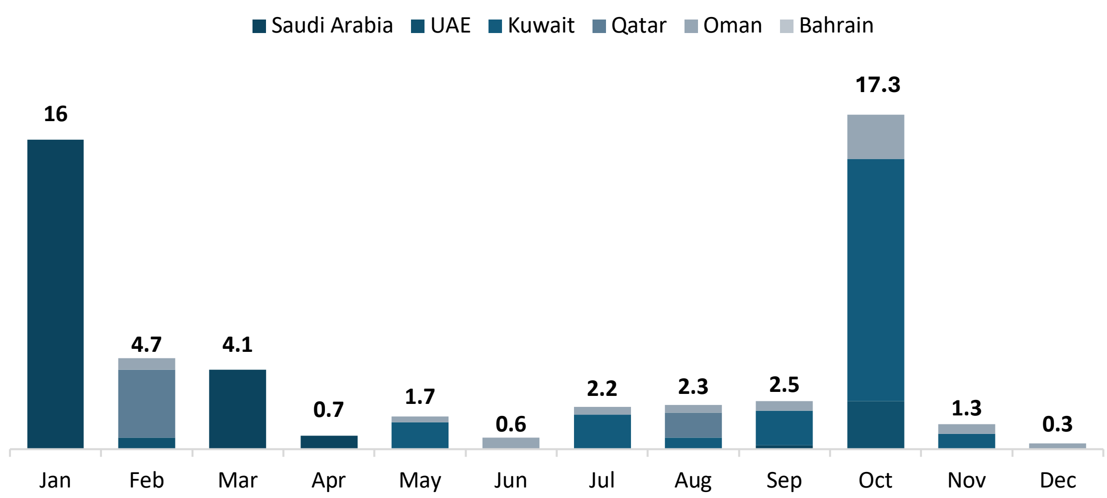
GCC sovereign debt markets have expanded significantly in both scale and sophistication, with quantitative indicators pointing to structurally stronger credit profiles in the GCC relative to non-GCC peers. Gross government debt levels across core GCC sovereigns remain moderate by international standards, typically below 50% of GDP, compared with materially higher ratios in several emerging market peers. Saudi Arabia's debt-to-GDP ratio remains in the high-20s percent range, the UAE in the low-30s percent range, and Qatar in the low-40s percent range, while Bahrain stands as an outlier with debt exceeding 100% of GDP. Importantly, net debt metrics are substantially lower for Saudi Arabia, the UAE, and Qatar due to large sovereign wealth assets and government deposits.

In absolute terms, aggregate GCC sovereign debt outstanding exceeds USD 1 trillion, reflecting sustained gross issuance, refinancing activity, and the deliberate extension of maturity profiles. Debt composition is concentrated in local currency and USD-denominated instruments, supported by long-standing USD pegs across most GCC economies. From an instrument perspective, sukuk account for approximately 40% to 50% of total GCC sovereign issuance, reinforcing the region's dominance within global Islamic finance markets. Average maturities for core GCC sovereign debt have lengthened to around 8 to 10 years, materially reducing rollover risk.

From a market structure standpoint, benchmark yield curves are now established out to 30 years for major issuers such as Saudi Arabia and the UAE. While secondary market liquidity remains concentrated among domestic banks, turnover and outstanding volumes have increased steadily, improving price discovery and curve reliability. These quantitative indicators collectively point to improved debt sustainability, stronger market access, and greater resilience to cyclical shocks for core Middle Eastern sovereign issuers.

Sovereign Bond Issuance:

Monthly Sovereign Bond Issuances 2025 (USD Bn)



Source: Kamco Invest, 2025

Government bond issuance is heavily front loaded, with January peaking at about USD 16.0 bn, driven mainly by Saudi Arabia. Issuance moderates sharply through April to June, averaging USD 0.6 to 0.7 bn per month, reflecting limited funding needs.

Activity rises again in H2, with monthly issuance of USD 2.2 to 2.5 bn during July to September, before a sharp spike to USD 17.3 bn in October led by Kuwait and the UAE, followed by minimal issuance of USD 0.3 to 1.3 bn toward year end.

Key Risks and Investor Considerations

Quantitative risk assessment of Middle Eastern sovereign debt markets is primarily anchored in oil price sensitivity, debt servicing capacity, and external liquidity. Fiscal breakeven oil prices are estimated at approximately USD 65–80 per barrel for Saudi Arabia, USD 35–40 for the UAE, and USD 40–45 for Qatar, underscoring differentiated fiscal resilience to energy price volatility. Interest-to-revenue ratios remain below 10% for core GCC issuers, indicating manageable debt servicing burdens, while weaker credits face materially higher ratios.

4.2 Sovereign Debt Markets in the Africa

In 2025, African sovereign debt markets remain characterized by elevated debt burdens, constrained fiscal space, and heightened refinancing pressures, with material differentiation across countries. Since 2020, government debt levels have risen sharply in several large African economies due to pandemic-related borrowing, commodity price shocks, currency depreciation, and higher global interest rates. While debt trajectories have begun to stabilize in some cases, overall leverage and debt servicing capacity remain key macro-financial constraints.

At the country level, Egypt (88% of GDP) and South Africa (77%) remain among the most highly leveraged large African sovereigns in 2025, reflecting persistent fiscal deficits and rising interest burdens. Kenya (67%) and Ghana (72%) continue to face elevated debt ratios following years of heavy external and domestic borrowing. Nigeria (55%) maintains a comparatively lower debt ratio, though debt affordability remains weak due to low revenue mobilisation. Morocco (69%) stands out for relative stability, supported by policy credibility and market access. Senegal's debt stock was revised sharply higher to above 120% of GDP, following the recognition of previously undisclosed liabilities, materially worsening its 2025 debt metrics.

Across the region, external public and publicly guaranteed debt remains high, with the World Bank estimating Africa's external debt at 26% of GDP in 2025, exposing sovereigns to FX and refinancing risk. Reserve buffers remain uneven, with many countries holding less than 4 months of import cover, limiting shock absorption capacity. Domestic debt markets have expanded, but rising reliance on domestic banks has increased sovereign–bank linkages, amplifying systemic risk.

Country	Govt Debt to GDP (%)	Debt Trend	Key Quantitative Stress Point
Egypt	88%	Rising	High interest-to-revenue ratio
South Africa	77%	Rising	Debt service >20% of revenue
Ghana	72%	Stabilising	Post-restructuring market access
Kenya	67%	Rising	External amortisations 2025–27
Morocco	69%	Stable	Strong reserve adequacy
Nigeria	55%	Stable	Very low revenue base
Senegal	>120%	Deteriorating	Hidden liabilities revealed

Source: IMF Article IV Consultations 2024–25, World Bank IDS 2025 country tables

Issuance Dynamics:

In 2025, African sovereign issuance remains selective and constrained. Only higher-quality or reform-anchored issuers retain consistent access to international bond markets, while others rely on multilateral financing, concessional loans, or domestic issuance. International bond yields for African frontier markets remain elevated, reflecting tight global liquidity and high-risk premia. Countries that have restructured or are under IMF programs face limited market access, while domestic yields remain high due to inflation and monetary tightening. Domestic issuance increasingly absorbs bank liquidity, reinforcing sovereign-bank feedback loops.

Key Risks and Investor Considerations:

From a quantitative risk perspective, African sovereign debt markets in 2025 are exposed to three dominant pressures. First, debt service affordability, with interest payments consuming a rising share of government revenues, particularly in South Africa, Egypt, and Ghana. Second, external refinancing risk, as large Eurobond maturities coincide with limited market access and low reserves. Third, data transparency and contingent liabilities, highlighted by Senegal's debt revision, which has increased investor risk premia across peer markets.

While some countries benefit from IMF-anchored reform programs and improving fiscal balances, the overall risk profile for African sovereign debt remains elevated in 2025, with credit differentiation driven primarily by debt affordability, reserve adequacy, and policy credibility.

4.3 Sovereign Ratings

Sovereign Ratings for MEA:

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Bahrain	B	STABLE	B2	STABLE	B+	NEG
Kuwait	AA-	STABLE	A1	STABLE	AA-	STABLE
Oman	BBB-	STABLE	Baa3	STABLE	BBB-	STABLE
Qatar	AA	STABLE	Aa2	STABLE	AA	STABLE
Saudi Arabia	A+	STABLE	Aa3	STABLE	A+	STABLE
UAE	AA	STABLE	Aa2	STABLE	AA-	STABLE
Abu Dhabi	AA	STABLE	Aa2	STABLE	AA	STABLE
Egypt	B	STABLE	Caa1	POS	B	STABLE
Jordan	BB-	STABLE	Ba3	STABLE	BB-	STABLE
Tunisia	NR	NR	Caa1	STABLE	B-	STABLE
Morocco	BBB-	STABLE	Ba1	STABLE	BB+	STABLE
Lebanon	SD	STABLE	C	STABLE	WD	NR

Source: Fixed Income Monthly Chartbook GCC, 2025
NR- Not Rated

Middle East sovereign outlooks are overwhelmingly stable, particularly across the GCC. Six of seven Middle Eastern issuers shown carry stable outlooks from all three agencies, with ratings clustered in the AA to A range for Kuwait, Qatar, Saudi Arabia, the UAE, and Abu Dhabi. Even lower rated Bahrain at B B2 maintains stable outlooks from S&P and Moody's, indicating manageable near-term risk supported by regional financial backing.

African sovereigns reflect structurally weaker credit profiles and higher vulnerability. Ratings range from BB to selective default, with only Egypt showing a positive Moody's outlook despite Caa1 risk. Morocco and Jordan remain stable but constrained at BBB to BB levels, while Tunisia and Lebanon reflect elevated stress, limited market access, and reliance on external support, keeping outlooks fragile despite stability labels.

5. Corporate Credit Markets

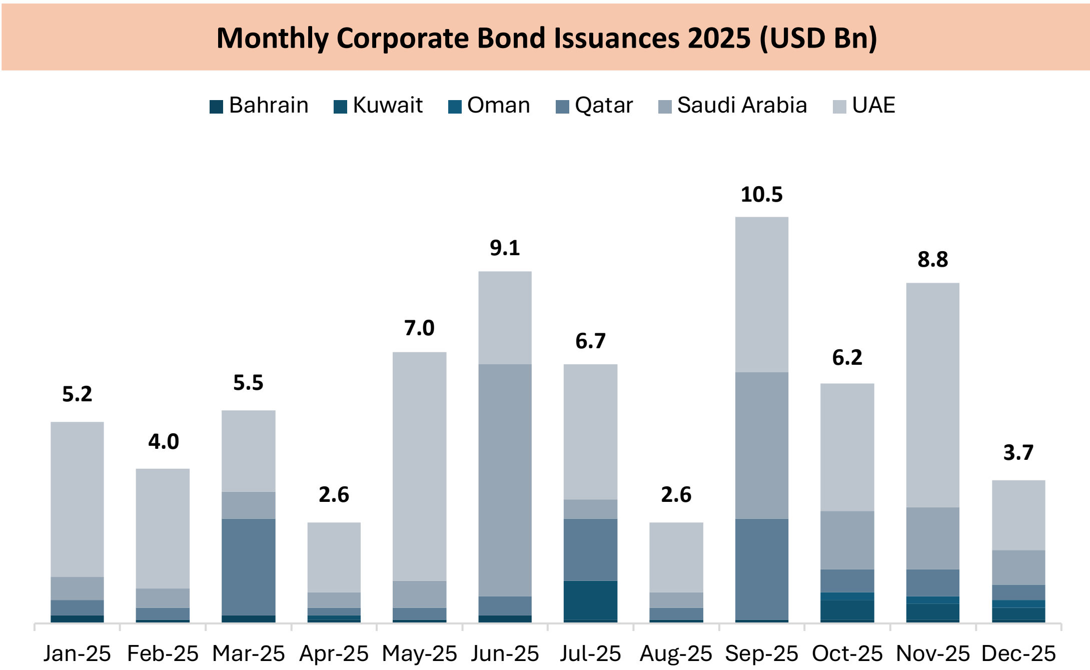
5.1 Credit Market: Middle East

Corporate credit markets in the Middle East remained active and resilient in 2025, supported by strong issuer fundamentals, diversified funding needs, and sustained investor demand across both conventional bonds and sukuk. Issuance was led by Saudi Arabia and the UAE, with regular participation from financial institutions, GREs, and large corporates.

Corporate Bond Issuance:

Corporate bond issuance showed steady momentum through the year, with clear issuance windows rather than a continuous pipeline.

- Issuance peaked in June (USD 9.1 bn) and September (USD 10.5 bn), reflecting large, strategic funding and refinancing transactions.
- Activity moderated in quieter months but remained consistent, indicating a well-functioning primary market.
- Saudi Arabia and the UAE accounted for the bulk of volumes, while Bahrain, Kuwait, Oman, and Qatar provided incremental depth.



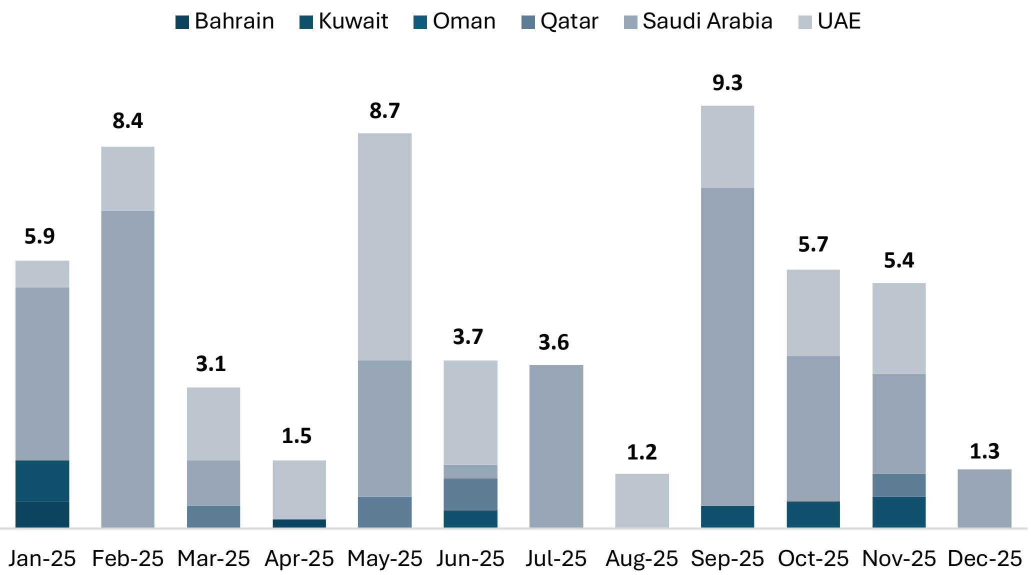
Source: Kamco Invest, 2025

Corporate Sukuk Issuance

Sukuk continued to play a core role in corporate funding, appealing to both regional Islamic investors and global allocators.

- Strong issuance was recorded in February, May, and September, each exceeding USD 8 bn, supported by refinancing needs and growth funding.
- Issuance softened mid-year and towards year-end, consistent with seasonal liquidity patterns.
- Despite volatility, sukuk volumes remained structurally important within GCC credit markets.

Monthly Corporate Sukuk Issuances 2025 (USD Bn)



Source: Kamco Invest, 2025

5.2 Credit Market: Africa

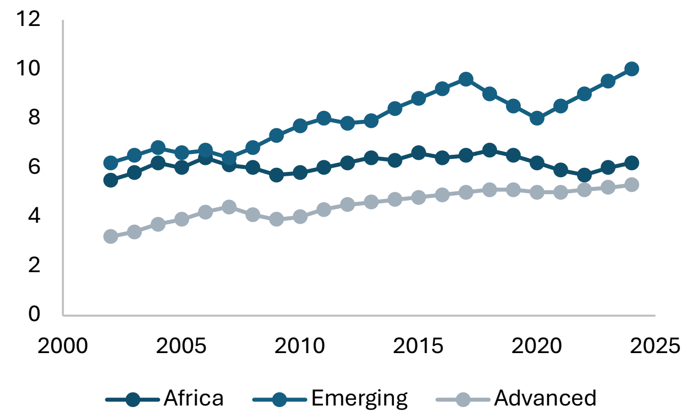
Africa's corporate debt markets remain nascent and underdeveloped relative to other emerging market regions, both in size and depth. Despite modest progress over the past two decades, corporate bonds and syndicated loans continue to play a limited role in financing African firms, with market activity highly concentrated in a handful of countries.

Africa's corporate debt market is characterised by low volumes and high concentration:

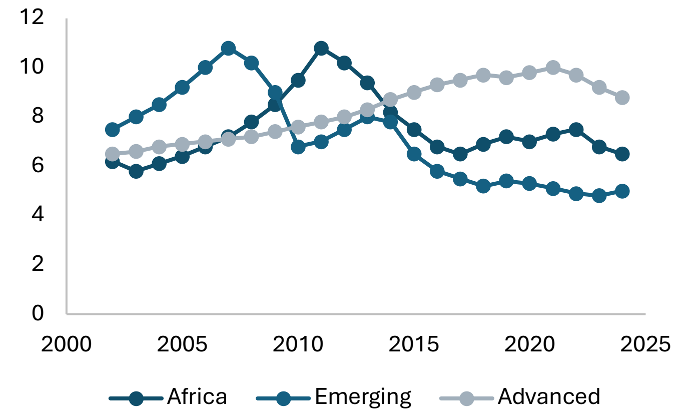
- **Limited scale:** Corporate debt outstanding remains low relative to GDP, with meaningful activity concentrated in South Africa, Egypt, Nigeria, and a few smaller financial hubs.
- **Syndicated loans dominate:** Syndicated lending continues to outweigh bond issuance, reflecting investor preference for structured, relationship-based financing in less liquid markets.
- **Large-issuer bias:** Market access is largely restricted to well-established corporates with stronger balance sheets and international investor visibility.
- **Foreign investor dependence:** Issuance is often supported by foreign investors, highlighting the shallow domestic institutional investor base in many markets.

Average Weighted Maturity of corporate debt issuance:

Syndicated Loans



Syndicated Loans

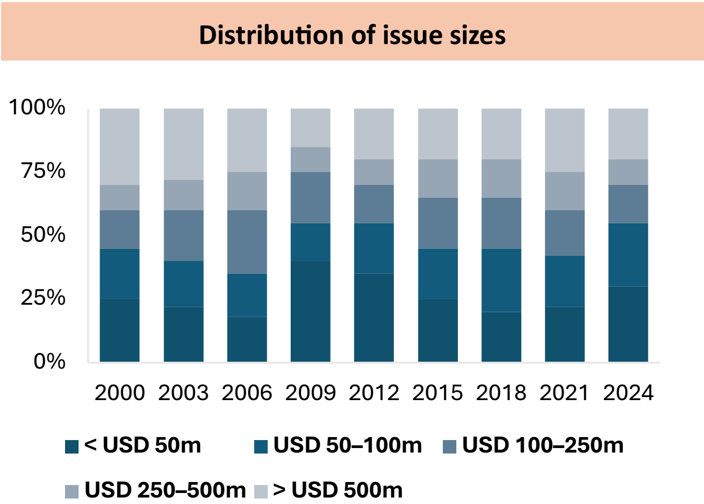


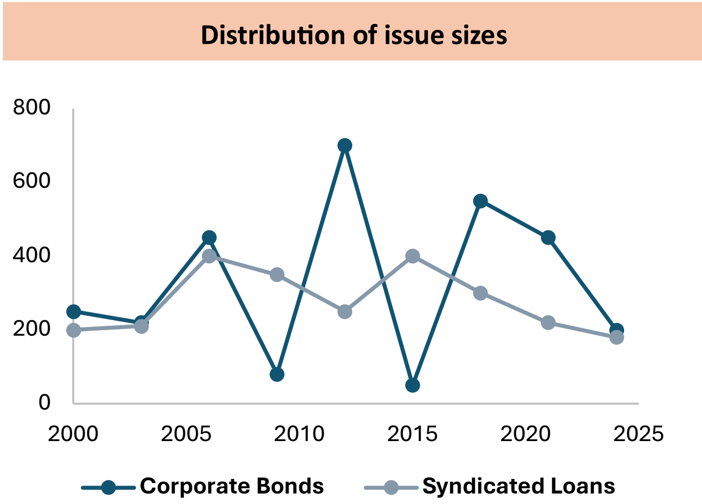
Note: Value-weighted average maturity; three-year rolling averages
Source: OECD Capital Market Series dataset

In syndicated loans, Africa's average maturities have remained broadly stable at around six years, sitting below emerging markets but consistently above advanced economies. This reflects the dominance of **shorter-tenor, relationship-based bank lending**, with longer maturities largely confined to a limited group of large borrowers.

In contrast, corporate bond maturities in Africa show greater volatility over time. While average tenors increased sharply during the late-2000s and early-2010s, they have since normalised and remain below advanced market levels. The divergence with advanced economies, where bond maturities have steadily lengthened, underscores structural constraints in African bond markets, including **limited secondary market liquidity and a narrow issuer base**. Overall, the data suggests that long-dated corporate financing in Africa remains selective rather than broadly accessible.

Issue sizes of corporate debt instruments in Africa:





Source: OECD Capital Market Series dataset

Corporate debt issuance in Africa remains characterised by modest transaction sizes and uneven market access, reflecting limited market depth and a narrow issuer base. The distribution of issue sizes indicates a persistent concentration in sub-USD 100 million transactions, particularly during periods of global or regional financial stress. Larger benchmark-sized issuances are infrequent and largely restricted to well-established corporates, financial institutions, and quasi-sovereign entities operating in the region's more developed markets.

These structural features are also evident in median issue size dynamics. Corporate bond issuance exhibits significant volatility over time, with median deal sizes expanding during periods of supportive global liquidity and compressing sharply when financing conditions tighten. In contrast, syndicated loans display comparatively greater stability, reflecting the predominance of relationship-based bank lending and more flexible structuring. Taken together, the charts underscore the fragmented and cyclical nature of Africa's corporate credit markets, with syndicated lending continuing to play a stabilising role when access to bond markets becomes constrained.

6. Risk Overview and Market Vulnerabilities

The Middle East and Africa (MEA) fixed income landscape reflects a surface-level normalization in asset prices, even as policy uncertainty, structural weaknesses, and cyclical pressures persist beneath. While emerging market debt has demonstrated near-term resilience, valuations across MEA remain highly sensitive to macro shocks, geopolitical developments, and global financial conditions, exposing investors to multiple, overlapping risk channels.

- **Credit risk** remains a key vulnerability across MEA, particularly in Africa, where nearly 80% of rated sovereigns are high risk or default-equivalent. Corporate issuance is concentrated among a limited number of large, rated entities, requiring elevated yield premia to attract capital.
- **Interest rate and duration risks** are elevated as higher-for-longer global yields and a persistent term premium drive structurally higher funding costs, increasing fiscal pressure and crowding out private credit.
- **Liquidity constraint**s are structural across MEA, reflecting shallow investor bases, fragmented market infrastructure, and limited secondary market depth outside a few regional hubs.
- **Currency risk** remains a key transmission channel, especially in Africa, where foreign-currency borrowing amplifies vulnerability to FX depreciation and rising debt servicing costs.
- **Political and governance risks** continue to weigh on investor confidence, with geopolitical uncertainty and SOE-related governance challenges constraining market access.
- **Operational and legal risks** remain uneven, driven by fragmented regulatory frameworks, weak insolvency regimes, and limited investor protections.

Overall, MEA fixed income markets offer yield, but elevated structural and macro risks necessitate selective exposure and disciplined risk pricing.

6.1 Market Vulnerabilities: Macro-Level Fixed Income Risks

At a macro level, fixed income markets across the Middle East and Africa (MEA) remain exposed to structural repricing, weakening cyclical momentum, and persistent policy uncertainty. Short-term market recoveries have masked underlying fragilities, with asset prices highly sensitive to global rates, geopolitics, and shifts in investor risk appetite.

- **Structural Repricing of Global Yields:** The re-emergence of the term premium has reset sovereign borrowing costs at structurally higher levels. Steeper yield curves and the absence of large-scale central bank support have made duration management more complex and increased the susceptibility of MEA assets to abrupt repricing from relatively minor macro or geopolitical shocks.
- **Capital Crowding Out from Advanced Economies:** Rising and sustained borrowing needs in OECD economies are absorbing global fixed income demand, crowding out lower-rated MEA sovereigns. This supply-driven pressure reduces market access, raises required yield premia, and increases vulnerability to sudden stops in capital flows, particularly for African issuers.
- **Refinancing Stress and Fiscal Constraints:** Since 2022, sharply higher interest rates have intensified refinancing and debt sustainability risks. Several African sovereigns are transitioning from concessional financing toward more expensive market funding, requiring material fiscal adjustment to stabilise debt dynamics. This constrains development spending and heightens social and political risk.
- **Weak Sovereign Credit Anchor:** The regional credit profile remains structurally weak, with a high concentration of sub-investment-grade sovereigns. Elevated government yields transmit directly into higher corporate funding costs, amplifying systemic risk and limiting private sector resilience.

6.2 Quantitative Risk Assessment – Sovereign Debt (MEA)

Middle East:

Quantitative risk in Middle Eastern sovereign debt markets is primarily driven by **oil price sensitivity, debt servicing capacity, and external liquidity buffers**. Fiscal breakeven oil prices indicate differentiated but generally robust resilience to energy price volatility, estimated at **USD 65–80/bbl for Saudi Arabia**, **USD 35–40/bbl for the UAE, and USD 40–45/bbl for Qatar.** Interest-to-revenue ratios below 10% for core GCC issuers point to manageable debt servicing burdens, although weaker credits exhibit materially higher ratios and reduced fiscal flexibility.

Africa:

African sovereign debt markets face **elevated quantitative stress in 2025**, driven by three key pressures. First, **debt service affordability** has weakened, with interest payments absorbing a rising share of government revenues, most notably in **South Africa, Egypt, and Ghana**. Second, **external refinancing risk** remains acute as large Eurobond maturities coincide with constrained market access and low foreign exchange reserves. Third, **data transparency and contingent liability risks** continue to weigh on investor confidence, highlighted by **Senegal's debt stock revision**, which has increased.

7. Future Outlook: Strategic Implications & Market Trajectory

Investment Strategy and Return Drivers:

Looking ahead, fixed income performance across the Middle East and Africa (MEA) is expected to be driven primarily by carry, credit selection, and selective duration positioning rather than broad duration-led rallies. While global disinflation and easing financial conditions provide near-term support, the scope for aggressive monetary easing remains constrained by elevated debt levels and geopolitical risks. Consequently, investors face a differentiated opportunity set shaped by the diverging fiscal capacities and capital market depths of the two regions.

Monetary Policy and Economic Support:

In the GCC, the alignment with the US Federal Reserve's easing cycle, which brought policy rates to approximately 4.25-4.50% by December 2025 is positioned to support non-oil growth, infrastructure spending, and private credit expansion. This lower rate environment is expected to sustain momentum in real estate, manufacturing, and logistics under national diversification agendas. Conversely, African monetary policy will likely remain bifurcated; while stable economies like Morocco and South Africa may continue gradual easing, high-inflation markets like Nigeria and Egypt are expected to maintain restrictive regimes to contain price pressures and stabilize exchange rates.

Sovereign Credit and Refinancing Risks:

The outlook for sovereign debt reveals a sharp divergence in credit quality. GCC sovereigns retain structurally strong profiles with debt-to-GDP ratios largely below 50% and stable credit ratings, supported by substantial fiscal buffers and extended debt maturity profiles, in contrast, African sovereigns face elevated risks centred on debt service affordability and external refinancing, particularly as large Eurobond maturities coincide with limited market access. Future credit differentiation in Africa will depend heavily on reserve adequacy and the successful execution of IMF-anchored reform programs.

Corporate Market Development:

Middle Eastern corporate credit markets are projected to maintain resilience, with issuers likely to utilize strategic windows for both conventional bond and sukuk issuance to fund growth and refinancing needs. The GCC market is benefiting from improved price discovery and yield curves established out to 30 years. However, African corporate financing is expected to remain structurally constrained, relying predominantly on short-term syndicated loans rather than public bond markets due to limited secondary liquidity and a narrow issuer base.

8. Sources

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