

11:12 21Oct10 -GLOBAL SUKUK ISSUANCE SEEN BELOW \$25 BLN IN 2011- REUTERS POLL

- Issuers from Malaysia and Middle East to dominate
- Governments, infrastructure and telecoms firms main issuers

By Liao Y-Sing and Frederik Richter

KUALA LUMPUR/MANAMA, Oct 21 (Reuters) - Sukuk issuance in 2011 will likely be less than \$25 billion as Gulf debt restructurings and state deficit constraints dampen borrowing, a Reuters quarterly poll showed on Thursday.

Issuance is expected to reach \$30 billion this year, according to Kuwait Finance House <KFIN.KW>. Based on this forecast, the poll's estimated sales in 2011 would mark the first decline since 2008 when sales dropped 56 percent.

Sales stood at \$23.3 billion in 2009 and \$14.9 billion in 2008, Standard & Poor's has said. A recent slew of sukuk sales from Middle Eastern issuers is unlikely to be a trigger for a flood of supply next year as concerns about the global economy weigh on the market, bankers and fund managers who took part in the poll said.

Balance sheet adjustments and credit restructuring in Middle East and North Africa would be the main obstacles to issuance in 2011, said Mohieddine Kronfol, an asset manager at Dubai-based Algebra Capital.

A flurry of recent Gulf sukuk sales, including Islamic Development Bank's \$3.5 billion programme and Qatar Islamic Bank's <QISB.QA> \$750 million paper, had bred hopes that the market was poised for an upturn, although experts warned that any recovery would be fragile. [ID:nLDE69618P]

Sukuk issuance would be driven by the low interest rate environment, governments' infrastructure funding needs and rising Gulf wealth due to strong crude prices, said Wan Murezani Wan Mohamad, fixed-income analyst at the Malaysian Rating Corporation.

John Sandwick, a Geneva-based Islamic asset manager, said non-Arab and non-Malaysian issuers were likely to turn to the sukuk market to the cover for the over-\$1 trillion of new bonds needed to refinance maturing bonds.

"The Western debt absorption rate is handicapped by the current malaise of bad debt on bank, pension fund, insurance company and endowment balance sheets. New sources of capital must be found to cover all this need for debt."

About \$60 billion of debt are set to mature in Gulf Cooperation Council countries next year, Kronfol said. New issuers such as Kazakhstan are also expected to emerge, although the bulk of issuance is likely to come from Malaysia and the Middle East, the poll's respondents said.

Governments and firms from the infrastructure, telecoms, energy, financial and plantation sectors would be the main issuers, they said. Following are the forecasts for expected global new sukuk issuance in 2011 (in billion dollars).

- ABC Islamic Bank less than 25

- Algebra Capital between 25-28
- Bank Muamalat Malaysia less than 25
- CIMB Islamic between 25-28
- Credit Agricole above 32
- Elaf Bank above 32
- John Sandwick (Islamic asset manager) above 32
- Malaysian Rating Corp between 29-32
- Maybank Investment Bank between 29-32
- MIDF Amanah Investment Bank less than 25
- OCBC Al-Amin Bank less than 25
- Rasameel Structured Finance between 29-32

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(Editing by Kazunori Takada)