

Issuance of corporate sukuk to hit record high

15PC-20PC JUMP: Association says strong demand, low borrowing costs to drive growth

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MALAYSIA'S corporate sukuk issuance may grow by up to 20 per cent this year to a record, with strong demand and low borrowing costs among the factors driving issuance.

"We're looking at a growth of 15 per cent to 20 per cent this year. We expect faster growth (compared with last year). It's probably going to be a record issuance for Malaysia," the Association of Islamic Banking Institutions of Malaysia's (AIBIM) president Datuk Mohd Redza Shah Abdul Wahid said.

As at June this year, some RM64 billion of corporate sukuk were issued, he said.

According to data compiled by Bloomberg, Malaysia is having a

record year for sales of corporate sukuk, with potentially about RM20 billion of such debt in the pipeline.

Experts said a confluence of factors, including the seriousness of regulators and market participants to grow the industry, ample local and global liquidity, a strong regulatory and legal framework, and low borrowing costs, have helped drive the Malaysian market's growth.

Mohd Redza spoke to reporters on the first day of the Global Islamic Finance Forum 2012 (GIFF) here yesterday, where Bloomberg and Thomson Reuters each launched a sukuk index as benchmarks for investors seeking exposure to sukuk.

The launches reflect growing investor interest in the syariah-compliant debt market.

Rating agency RAM Holdings Bhd noted that this year has turned out to be a "remarkable" year for ringgit-denominated corporate bonds in general.

"In fact, 2012 has turned out to be a record year for corporate bond issuance, in terms of issuance and sizable landmark deals," it said in an email reply.

RAM believes most of this year's and next year's growth in corporate bonds, including sukuk, will come from domestic investment activities.

"We expect construction and in-

frastructure projects, particularly those related to committed expenditure under the Economic Transformation Programme, the 10th Malaysia Plan and big ticket projects such as the Klang Valley Mass Rapid Transit (although most of this could be government-backed bonds), highways and roads to underpin this growth," it said.

The growth will also come from planned expenditure for major oil and gas projects, increased funding for private finance initiative or public-private partnership projects, as well as fund-raising by banks to shore up capital bases in line with Basel III requirements.

Some of the major sukuk deals that were issued this year included the RM23.3 billion PLUS bonds, the RM3 billion Wakala programme by Johor Corp and RM3.5 billion sukuk programme by PTPTN.

