

Sukuk Market Report by Sukuk Type (Murabahah Sukuk, Salam Sukuk, Istisna Sukuk, Ijarah Sukuk, Musharakah Sukuk, Mudarabah Sukuk, Hybrid Sukuk, and Others), Currency (Turkish Lira, Indonesian Rupiah, Saudi Riyal, Kuwaiti Dinar, Malaysian Ringgit, United States Dollar, and Others), Issuer Type (Sovereign, Corporate, Financial Institutions, Quasi-Sovereign, and Others), and Region 2024-2032

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Report description:

The global sukuk market size reached US\$ 1,063.3 Billion in 2023. Looking forward, IMARC Group expects the market to reach US\$ 3,619.3 Billion by 2032, exhibiting a growth rate (CAGR) of 14.1% during 2024-2032. The increasing expansion of Islamic finance and banking institutions, the rising diversification of assets, the growing infrastructure development, and the development of comprehensive and investor-friendly regulatory frameworks by Islamic finance authorities and standardization bodies are some of the factors propelling the market.

A Sukuk, often called an Islamic bond, is a unique financial instrument issued in Islamic nations to represent ownership shares in an existing or qualified asset portfolio. It is tangible proof of an investor's ownership of the underlying asset, accompanied by specific financial rights and obligations during trade and various commercial transactions. The issuance of interest-bearing loans is strictly prohibited in Islamic finance due to Sharia law, making conventional bonds unsuitable for financial dealings. In this context, it offers a compelling alternative, as it doesn't constitute a debt obligation. Instead, the issuer deploys the funds raised through the issuance to acquire an asset, granting investors partial ownership in alignment with Islamic finance principles. This distinctive financial instrument embodies the essence of equity participation and asset-backed financing, ensuring compliance with Sharia law while facilitating investment and capital mobilization across diverse economic activities. It continues to gain prominence as a Sharia-compliant investment vehicle, reflecting the enduring evolution of Islamic finance in global markets.

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The global market is majorly driven by the increasing demand for Sharia-compliant financial instruments. In line with this, the investors seek ethical and interest-free investment opportunities, and Sukuk perfectly aligns with these principles, attracting a broad and diverse investor base. Furthermore, governments and corporations are increasingly turning to Sukuk to raise capital for infrastructure projects, refinish debt, and fund economic development. Its asset-backed structure offers a transparent and secure investment avenue, which appeals to issuers and investors. Besides, regulatory support and standardization efforts propelled the market's evolution. Various Islamic financial authorities are establishing robust regulatory frameworks and guidelines, enhancing market integrity and investor confidence. Moreover, its adaptability is a driving force. It can be structured to cater to various sectors, including real estate, infrastructure, and renewable energy, providing both issuers and investors versatility. Additionally, the global appeal of Sukuk is attracting international issuers and investors, fostering cross-border collaboration, and expanding the market's reach. The need for infrastructure financing in emerging economies and the desire for ethical investment options in developed markets converge to create a favorable environment for market growth.

Sukuk Market Trends/Drivers:

Increasing global economic uncertainty

The increasing global economic uncertainty is creating a positive outlook for the market. In times of economic volatility, investors seek stable and secure investment avenues to safeguard their capital. With its asset-backed and risk-sharing nature, Sukuk aligns perfectly with these objectives. It offers a compelling alternative to conventional financial instruments, operating on ethical principles prohibiting interest-based transactions and speculative activities. As economic uncertainty persists, its appeal as a safe-haven asset intensifies. Investors view it as a reliable means to preserve wealth and generate steady returns while avoiding the risks associated with conventional financial markets. Governments and corporations also turn to Sukuk to secure financing for essential projects, as it provides a stable funding source amid economic unpredictability.

Rapid urbanization in the Middle Eastern countries

Rapid urbanization in Middle Eastern countries is offering numerous opportunities for the market. As these nations experience swift urban development and infrastructure expansion, the financing demand for these initiatives has increased. With its Sharia-compliant and asset-backed structure, Sukuk presents an attractive financing option for governments and corporations undertaking large-scale projects. The development of modern cities, transportation networks, utilities, and real estate projects requires substantial capital, and it provides a viable and ethically sound solution. Investors are drawn to Sukuk offerings tied to these development projects, attracted by their stability and predictable returns. Moreover, the Middle East is a hub of Islamic finance activity, and the local governments are keen on fostering the market. This commitment and supportive regulatory frameworks encourage the issuance of Sukuk to fund urbanization efforts.

Rising digitization of financial services

The rising digitization of financial services is favorably impacting market growth. As financial services increasingly migrate to digital platforms, Sukuk issuers and investors benefit from enhanced accessibility, transparency, and efficiency in issuance and trading. Digitization streamlines the Sukuk issuance process, reducing administrative complexities and costs. This technological advancement enables issuers to reach a broader investor base globally, attracting a diverse range of participants to the market. Additionally, digital platforms facilitate real-time tracking of the performance and market developments, providing investors with up-to-date information and analysis. This transparency builds investor confidence and encourages greater participation in product offerings. Moreover, the integration of blockchain technology and smart contracts in this issuance enhances security. It reduces settlement times, making the market more attractive for investors seeking efficient and secure investment options. As financial markets continue their digital evolution, embracing technology aligns with broader financial industry trends and positions Sukuk as a dynamic and technologically advanced asset class, fostering its sustained growth and global appeal.

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Sukuk Industry Segmentation:

IMARC Group provides an analysis of the key trends in each segment of the global sukuk market report, along with forecasts at the global and regional levels for 2024-2032. Our report has categorized the market based on sukuk type, currency, and issuer type.

Breakup by Sukuk Type:

- Murabahah Sukuk
- Salam Sukuk
- Istisna Sukuk
- Ijarah Sukuk
- Musharakah Sukuk
- Mudarabah Sukuk
- Hybrid Sukuk
- Others

Murabahah sukuk dominates the market

The report has provided a detailed breakup and analysis of the market based on the sukuk type. This includes murabahah, salam, istisna, ijarah, musharakah, Mudarabah, hybrid, and other sukuk. According to the report, murabahah sukuk represented the largest segment.

Murabahah Sukuk is characterized by its underlying transaction, based on selling commodities or assets at a cost-plus profit. This type appeals to a broad spectrum of investors and issuers due to its transparent and straightforward structure, making it a preferred choice for various financing needs. One key driver is its versatility in catering to corporate and government financing requirements, supporting diverse sectors such as infrastructure, real estate, and trade finance. This adaptability enhances its relevance in various economic scenarios.

Additionally, it aligns closely with Islamic finance principles, making it an attractive option for investors seeking Sharia-compliant investments. Its ethical and asset-backed nature ensures a consistent and reliable stream of returns, further fostering investor confidence and market growth. As governments and corporations increasingly turn to Murabahah Sukuk to fund their initiatives and investors seek ethical investment avenues, this type continues to drive the growth and expansion of the market.

Breakup by Currency:

- Turkish Lira
- Indonesian Rupiah
- Saudi Riyal
- Kuwaiti Dinar
- Malaysian Ringgit
- United States Dollar
- Others

Malaysian Ringgit dominates the market

The report has provided a detailed breakup and analysis of the market based on the currency. This includes Turkish Lira, Indonesian Rupiah, Saudi Riyal, Kuwaiti Dinar, Malaysian Ringgit, United States Dollar, and others. According to the report,

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Malaysian Ringgit (MYR) represented the largest segment.

Malaysia has established itself as a global hub for Islamic finance, with a well-developed regulatory framework and a deep pool of expertise. This conducive environment encourages the issuance of MYR-denominated Sukuk, attracting both domestic and international issuers. The Malaysian government actively promotes Islamic finance and Sukuk issuance to fund infrastructure projects and stimulate economic development. This support fosters a robust pipeline of MYR-denominated offerings, further contributing to market growth.

Moreover, the stability of the Malaysian economy and the MYR as a currency enhances investor confidence. Investors seeking Sharia-compliant investments and exposure to the Malaysian market are drawn to MYR-denominated Sukuk. The MYR's appeal as a regional currency for trade and investment strengthens the demand for MYR-denominated Sukuk, particularly from neighboring countries in Southeast Asia.

Breakup by Issuer Type:

Sovereign
Corporate
Financial Institutions
Quasi-Sovereign
Others

Sovereign dominates the market

The report has provided a detailed breakup and analysis of the market based on the issuer type. This includes sovereign, corporate, financial institutions, quasi-sovereign, and others. According to the report, sovereign represented the largest segment.

Sovereign issuers in the market refer to national governments or state-owned entities that issue Islamic bonds to finance public projects and governmental activities. These Sukuks are generally considered the most secure and attract a large pool of investors due to their low risk, backed by the creditworthiness of the issuing government. Backed by the creditworthiness of national governments or state-owned entities, these Islamic bonds are primarily used to finance public projects and governmental initiatives, such as infrastructure and social welfare programs. Their low-risk nature and high liquidity make them attractive to a broad range of investors, both domestic and international. Moreover, sovereign Sukuks serve as a benchmark for pricing in the market, influencing how corporate and other issuer types are valued. They also play a pivotal role in the development of the Islamic financial market by attracting more participants and thereby fostering market liquidity and depth.

Breakup by Region:

Gulf Cooperation Council (GCC)
South East Asia
Middle East and Africa (Excluding GCC Countries)
Others

South East Asia exhibits a clear dominance, accounting for the largest market share

The market research report has also provided a comprehensive analysis of all the major regional markets, which include Gulf Cooperation Council (GCC), South East Asia, Middle East and Africa (Excluding GCC Countries), and others. According to the report, South East Asia accounted for the largest market share.

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The South East Asia region holds a prominent position in driving market growth. Several factors contribute to its significance in shaping the market landscape. The region, with countries like Malaysia, Indonesia, and Singapore, boasts a strong Islamic finance ecosystem. These nations have well-established regulatory frameworks, Sharia-compliant financial institutions, and a deep pool of expertise, making them key contributors to the market. The governments in South East Asia actively promote Sukuk as a means to fund infrastructure projects and stimulate economic growth. They leverage this type of issuance to address critical infrastructure needs, attracting domestic and international investors.

Moreover, the region's vibrant economies and rapid development fuel the demand for Sukuk financing across various sectors, including real estate, transportation, and trade finance. This diversified application enhances its relevance and growth potential. Additionally, the region's proximity to key Islamic finance markets, such as the Middle East, fosters cross-border investment and collaboration, further expanding the market reach.

Competitive Landscape:

Top companies are strengthening market growth through a multifaceted approach. They are actively developing innovative Sukuk structures, catering to diverse investor demands and project financing needs. These structures, aligned with Sharia principles, enhance the market's versatility and attractiveness. Furthermore, these companies are expanding their geographic reach by collaborating with governments and corporations globally, promoting this type of issuance for infrastructure and development projects. Their international presence fosters cross-border participation and broadens the investor base. Moreover, top firms prioritize education and awareness initiatives, elucidating Sukuk investments' benefits and ethical principles. This drives investor confidence and fosters a deeper understanding of Islamic finance. Besides, these companies are at the forefront of digitalization, incorporating fintech solutions to streamline the issuance and trading, enhancing market efficiency and accessibility. Their commitment to compliance with evolving Sharia standards and adherence to robust governance practices solidifies Sukuk's reputation as a trusted and ethical investment option.

The report has provided a comprehensive analysis of the competitive landscape in the sukuk market. Detailed profiles of all major companies have also been provided.

Abu Dhabi Islamic Bank PJSC
Al Baraka Banking Group
Al-Rajhi Bank
Banque Saudi Fransi
Dubai Islamic Bank
HSBC Holdings Plc
Kuwait Finance House
Malayan Banking Berhad
Qatar International Islamic Bank
RHB Bank Berhad
Samba Financial Group

Recent Developments:

In August 2023, Abu Dhabi Islamic Bank PJSC enhanced its mobile app for international money transfers.

In July 2023, Al Baraka Banking Group announced the completion of the exit of its stake in BTI Bank Morocco.

Key Questions Answered in This Report:

How has the global sukuk market performed so far, and how will it perform in the coming years?

What are the drivers, restraints, and opportunities in the global sukuk market?

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What is the impact of each driver, restraint, and opportunity on the global sukuk market?

What are the key regional markets?

Which countries represent the most attractive sukuk market?

What is the breakup of the market based on the sukuk type?

Which is the most attractive sukuk type in the sukuk market?

What is the breakup of the market based on the currency?

Which is the most attractive currency in the sukuk market?

What is the breakup of the market based on the issuer type?

Which is the most attractive issuer type in the sukuk market?

What is the competitive structure of the global sukuk market?

Who are the key players/companies in the global sukuk market?

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