



RBC BlueBay
Asset Management

A trip to the Middle East: reflections on private credit

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“The macro environment across the Gulf region feels stable and growth-oriented, supported by prudent economic management and ample liquidity.”

I recently travelled to Dubai and Riyadh where I was immediately struck by the extraordinary growth that has transpired in the region – Dubai’s skyline continues its remarkable transformation, reflecting broader economic dynamism.

The credit markets across both jurisdictions are also developing rapidly, presenting interesting new opportunities in private credit across both secondary and primary markets.

The macro environment across the Gulf region feels stable and growth-oriented, supported by prudent economic management and ample liquidity. This contrasts sharply with budgetary pressures back home in the UK and other European markets, where investors face slower growth and deteriorating fiscal conditions. The region’s policy clarity and optimism make it increasingly attractive for investors seeking both yield and more predictable investment environments.

Dubai: liquidity abundance with hidden complexities

Market dynamics: Dubai’s credit markets are flush with capital, particularly for blue-chip corporates, creating abundant liquidity conditions for quality borrowers. However, this prosperity should also be met with a level of caution, as it masks rising leverage levels and emerging idiosyncratic stress points. In some cases, abundant local liquidity has pushed operating company leverage in popular names to >6-7x at just ~200bps spreads, while in several other cases, relationship lending to supposedly solid businesses without substantial due diligence resulted in off-balance-sheet debts, red flags on the governance front and hidden leverage.

The real estate sector has enjoyed particularly strong growth and active involvement of institutional investors in both public and private credit – we are seeing an increase in “last-mile” funding where private credit lenders bridge gaps for near-completion projects, often lending against escrowed sales proceeds. Mezzanine debt and Holdco-level financing secured by portfolio cashflows have become common tools for developers seeking capital beyond traditional bank limits. While capital availability remains strong for established players, pockets of risk above are surfacing that warrant careful due diligence from lenders.

Simultaneously, UAE banks are becoming increasingly proactive in non-performing loans, marking a shift from historical practices and working to redeploy capital in more productive areas. We are witnessing the first secondary NPL sales in the region, with notable transactions that have included the UAE’s largest banks offloading billions of dollars of sourced loans to global institutional investors in 2025. This trend is opening markets to distressed debt buyers while freeing up bank balance sheets.

“Dubai’s market is flush with liquidity, but rising leverage and idiosyncratic risks mean investors must remain selective and diligent.”

Legal infrastructure transformation: the UAE’s legal environment has undergone remarkable improvement, particularly through international financial centres like Abu Dhabi Global Market (ADGM) and Dubai International Financial Centre (DIFC). These jurisdictions provide robust, creditor-friendly frameworks with common-law courts that significantly enhance contract and collateral enforcement. A landmark 2025 Memorandum of Understanding between Dubai courts and ADGM courts now enables seamless mutual enforcement of judgments, mirroring earlier DIFC arrangements. Additionally, modernised pledge laws now protect against multiple pledging of the same asset, reducing collateral uncertainty. These advances have boosted investor confidence, with ADGM/DIFC governing law and jurisdiction clauses increasingly used in GCC deals and tested in several local restructurings.

Restructuring framework evolution: new insolvency laws in the UAE (2016, amended 2023) now explicitly allow priority new money, encouraging debtor-in-possession (DIP) style financing. We’re beginning to see restructuring cases where fresh capital is injected with court approval on super-senior terms as well as first debt-for-equity restructurings. Though still nascent, these developments signal evolution toward a more sophisticated restructuring ecosystem aligned with international practices.



The evolution of Dubai.

Saudi Arabia: transformation and opportunity

Market overview: Saudi Arabia’s economy remains more oil-centric but significant progress is evident under Vision 2030 with a focus on technology, tourism, and mining. The Kingdom has introduced modern legal frameworks, including new bankruptcy laws, with increasing participation from professional advisors and international investors. High local interest rates (SAIBOR notably above USD benchmarks like SOFR) highlight more limited domestic liquidity, presenting opportunities for external capital, especially in more complex situations. Global private credit investors can offer competitive financing by capitalising on these dynamics, with growing interest from foreign lenders to deploy capital alongside local partners as the market opens further and diversifies. Some areas where foreign investors are deploying private credit include investment in fintech platforms, real estate, offshore support vessels and metals & mining among others.

Government-backed megaprojects and private sector growth are generating financing opportunities, even as banks remain the primary lenders. The legal reforms, including the 2018 bankruptcy law that allows priority new money in restructurings, are building confidence and slowly establishing a more robust credit culture.

Strategic outlook

The Middle East’s credit markets offer significant opportunities in both primary origination and secondary loan deployment, but success requires understanding local nuances and maintaining vigilance with respect to underlying risks, despite plentiful liquidity. Both markets are evolving rapidly – the UAE (Dubai and Abu Dhabi) toward cementing its position as a regional financial centre, and Saudi Arabia undergoing fast modernisation and diversification from an oil economy. For private credit investors, these markets represent compelling destinations with improving legal frameworks and innovative financing structures, requiring the right mix of enthusiasm and careful diligence.

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