

GCC Projects Market Update

April-2022

GCC projects dip despite Saudi and UAE increases during the quarter...

Higher oil prices driven mainly by Russia-Ukraine conflict have allowed GCC countries to inject money on infrastructure projects mainly in the Construction and Oil Sectors. However, Qatar's falling Q1-2022 contracts attributed to the country gearing up to host the FIFA World Cup during Nov-2022, has dragged down the overall GCC projects market.

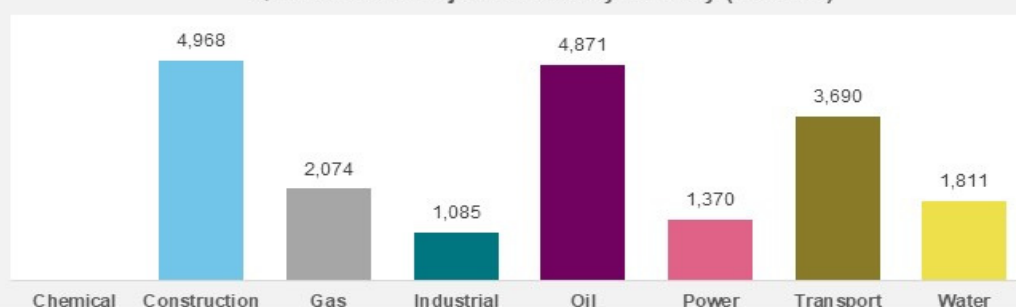
Total value of GCC contracts awarded during Q1-2022 decreased by 37.1% y-o-y to USD 18.5 Bn against USD 31.3 Bn in Q1-2021 underscoring the region's economic recovery has a long way to go from the pandemic disruption. However, the fall in projects value during the quarter can be attributed to the fall of Qatar's Q1-2022 to USD 2.7 Bn down from USD 19.5 Bn in Q1-2021 which has dragged down the GCC's aggregate values of projects during Q1-2022.

Saudi Arabia, the GCC's largest projects market, recorded the biggest y-o-y increase in value of contracts awarded during Q1-2022 that reached USD 11.5 Bn in 2022 as compared to USD 7.3 Bn in Q1-2021. Comparatively, the UAE recorded a 48.2% rise in y-o-y projects awarded in Q1-2022 which reached USD 4 Bn. Saudi Arabia, UAE and Qatar represented over 94% of GCC contract awards in Q1-2022 witnessing a slight 4.3% rise during the same period in 2021. Total projects awarded in Kuwait during Q1-2022 rose by 24.1% to USD 1.2 Bn up from USD 940 Mn for Q1-2021.

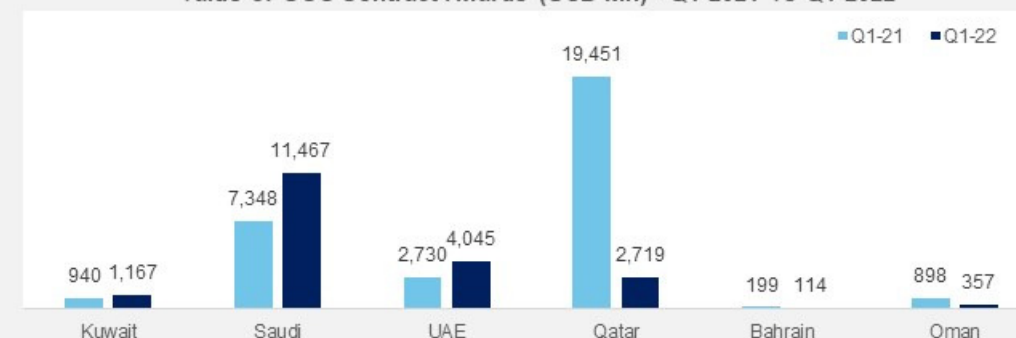
Oman has seen its Q1-2022 new projects awards reach USD 357 Mn down from USD 898 Mn value of contracts it has seen in Q1-2021. On the other hand, the value of contracts awarded by Bahrain during Q1-2022 also fell 42.7% to USD 114 Mn compared with USD 199 Mn during Q1-2021.

In terms of sector value of GCC projects awarded during Q1-2022, GCC project awards picture was mixed. The GCC Gas, Construction and Power Sectors witnessed y-o-y decline. On the other hand, GCC Oil Sector witnessed the largest increase in terms of absolute value during the quarter recording USD 4.5 Bn in new contracts to reach USD 4.9 Bn in Q1-2022. Comparatively, value of new contracts in the GCC Gas Sector contracted 89.4% to reach USD 2 Bn during Q1-2022 down from USD 19.6 Bn during Q1-2021. The GCC Construction Sector reached USD 5 Bn during the quarter despite witnessing a y-o-y fall of 19.1%.

Q1-2022 GCC Project Awards by Industry (USD Mn)



Value of GCC Contract Awards (USD Mn) - Q1-2021 Vs Q1-2022



Sources : MEED Projects, Kamco Invest Research

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Saudi Arabia

Saudi Arabia accounted for the largest pie of aggregate projects market in the GCC during Q1-2022, according to MEED Projects. The Kingdom boasted the highest number of construction projects not only in the GCC but for the whole of MENA region. Total value of new projects in the Kingdom increased by USD 4.1 Bn y-o-y for Q1-2022 to reach USD 11.5 Bn. The Kingdom has benefited greatly from rising oil prices which started during the end of the past year and are still holding strong. Saudi Arabia accounted for 57.7% of the total GCC contract awards in Q1-2022. However, the value of contracts awarded during Q1-2022 witnessed a q-o-q fall of 47.4% or 10.3 Bn from USD 21.8 Bn in Q4-2021.

In terms of sectors, the Kingdom's Oil Sector leapt into the lead as the largest sector by value of awarded projects among the sectors representing 32.9% of the total projects awarded in the Kingdom during Q1-2022 mainly due to Aramco's Zuluf contract awards. The sector witnessed its value of awarded contracts rise to USD 3.7 Bn in Q1-2022 up from USD 90 Mn in Q1-2021. The Transport Sector followed as the second largest sector in terms of value of contracts awarded registering USD 2.6 Bn worth of new projects during Q1-2022. The Transport Sector represented 23% of the projects awarded in Q1-2022 up 163.5% as its share of total projects during Q1-2022. Comparatively, the Kingdom's Construction Sector recorded USD 1.5 Bn worth of new projects during the first quarter of 2022.

One major reason for the increase in Saudi Oil Sectors value of awarded projects can be attributed to Saudi Aramco's increase of capital expenditure in 2022. According to Aramco officials, Saudi Aramco is projected to spend between USD 40 Bn to USD 50 Bn on capital expenditure projects in 2022. In comparison, the oil giants planned capital expenditure is 19% increase from company's capital expenditure in 2021 which was estimated at USD 31.9 Bn. The company indicated that around 30% of the capital will be spent on upstream oil projects while 27% will go to upstream gas projects. The general aim is to increase Aramco's oil production by 1 million barrels per day to reach 13 million barrels per day by 2027. Higher oil prices and improving economic sentiment has supported Aramco and the Kingdom's increased capital expenditure plans.

Some Notable projects awarded during the first quarter of 2021 include the USD 135 Mn steel pipes contract awarded to East Pipes Integrated Company. The deal requires the company to supply steel pipes to Saudi Arabia's Saline Water Conversion Company which needs the pipes to expand its water transmission system project.



Sources : MEED Projects, Kamco Invest Research

UAE

The UAE regained its position as the second largest projects market in the GCC after Saudi Arabia during Q1-2022. The Emirate represented 21.6% of the total contracts in the GCC during the quarter. The UAE recorded USD 1.3 Bn increase in y-o-y contracts awarded during Q1-2022 which reached USD 4 Bn. Comparatively, the Emirate registered 69.6% decrease in its q-o-q contracts awarded.

In terms of sectors, the Construction Sector once again topped the biggest pie of new project awards in the UAE representing 49.1% in Q1-2022. New contracts awarded in the Construction Sector increased 16.3% y-o-y to reach USD 2 Bn during Q1-2022 up from USD 1.7 Bn in Q1-2021. However, the Oil Sector has witnessed the largest percentage growth among the sectors during the quarter. The sector recorded USD 1.2 Bn in new contracts during Q1-2022 as compared to USD 240 Mn it registered in Q1-2021. The growth in the Emirate's Water Sector has been notable. New projects awarded in the water Sector reached USD 400 Mn during the first quarter of 2022 up from the USD 208 Mn it registered during the same period of the previous year.

Some notable projects in the Construction Sector which were awarded during Q1-2022 include the USD 544 Mn Fay Alreeman villa community in the Al-Shamka area of Abu Dhabi developed by Aldar Properties. This project comprises the construction of 544 three-to-six-bedroom villas for UAE nationals. Moreover, the Abu Dhabi listed, Aldar Properties has acquired USD 1 Bn worth of land at Saadiyat Island with the intention of developing a 2700-unit residential community estimated to worth around USD 4 Bn according to MEED Projects. Furthermore, Dubai South Properties has chosen Kuwait-based builder Al-Kharafi for the USD 245 Mn Pulse Beachfront project in which construction is expected to start Q2-2022.

In the Oil Sector, Abu Dhabi National Oil Company (ADNOC) has awarded USD 658 Mn worth of drilling and cementing services for its upstream enterprise during Q1-2022. So far, the state-owned oil company has awarded over USD 12 Bn worth of projects since Q4-2021.

Kuwait

Total Q1-2022 projects awarded in Kuwait reached USD 1.2 Bn witnessing a 24.1% rise from USD 940 Mn in Q1-2021. New value contracts in Kuwait's Construction Sector rose 133% to reach USD 840 Mn during Q1-2022 up from USD 361 Mn in Q1-2020 driving the overall growth of projects in the country. Rising oil prices and as pandemic related economic restrictions relief takes hold Kuwait's construction sector is expected to grow during 2022.

Recent project announcements included the USD 1.0 Bn contract for the construction work of Kuwaiti Ministry of Defense, according to MEED. The project is aimed at modernizing the headquarters of the Kuwait's Ministry of Defense which comprises around twenty facilities. Moreover, the State-owned Petrochemicals Industry has disclosed around 74 projects for 2022 including shipping, services, equipment supply and maintenance works for its chemical plants.

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