

GCC Projects Market Update

December-2020

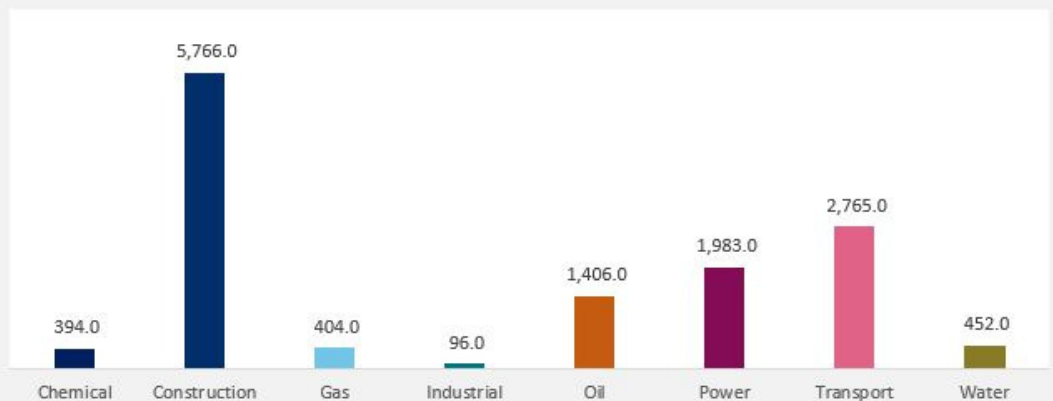
GCC projects continue to decline amid continued global COVID-19 disruption...

A new wave of rising Covid-19 cases in many parts of the world has alarmed governments resulting in stricter restrictions and lockdowns in several cities across Europe and the US. The fact that the pandemic is still not over, despite the development of vaccines has cast a shadow of doubt on near term economic development. Governments in the US and Europe have announced or in the process of announcing economic stimulus to boost growth resulting in mounting budget deficits. In the GCC, the double whammy of covid-19 impact on economic growth and the impact of low oil prices on revenues and project spending shows record deficits. This has resulted in stunted growth in the GCC project market that continues to reel under spending shortfall. The economic pressure was also reflected IMF's GDP forecast for the GCC region which is now expected to contract by 6% in 2020 in a broad-based decline across the region.

Total value of GCC contracts awarded on Q3-20 declined by two-thirds y-o-y to USD 13.2 Bn against USD 39 Bn in Q3-19 mainly due to the continued disruption caused by the coronavirus outbreak and the low oil prices. Data from MEED Projects showed a steep decline in new projects awarded by Saudi Arabia.

Saudi Arabia, the region's third largest projects market, recorded the biggest y-o-y fall in value of contracts awarded that reached USD 1.8 Bn in Q3-2020 as compared to USD 24.5 Bn in Q3-19. The UAE recorded a 44% decline in y-o-y contracts awarded in Q3-20 to reach USD 4.9 Bn. Comparatively, Qatar's value of projects awarded in Q3-20 jumped by 34.6% to USD 3.4 Bn compared with USD 2.5 Bn in the corresponding period of 2019. **Saudi Arabia, UAE and Qatar represented over 59% of GCC contract awards in Q3-20.** Total Q3-20 projects awarded in Kuwait declined by 6.6% to USD 1.1 Bn down from USD 1.2 Bn in Q3-19, making Kuwait the least declining GCC projects market in Q3-20 after Bahrain.

Q3-2020 GCC Projects Awards by Industry (USD Mn)



Value of GCC Contracts Awards (USD Mn) - Q3-19 Vs Q3-20



Sources : MEED Projects, Kamco Invest Research

Mohamed Ali Omar

Analyst

+(965) 2233 6906

momar@kamcoinvest.com

Junaid Ansari

Vice President

+(965) 2233 6912

jansari@kamcoinvest.com

Saudi Arabia

Saudi Arabia recorded the largest decline in value of contract awards in Q3-2020 among the GCC countries with a y-o-y fall of 92.5% to reach UD 1.8 Bn. The decline in project awards highlighted the fall in governments revenues which made it necessary for the Kingdom to cut back on spending including spending on new project. According to MEED, Riyadh's revenues are projected to fall 16.9% reach USD 205.3 Bn (SR 770 Bn) in 2020 making it necessary for the Kingdoms proposed spending cuts over the coming years. In terms of sectors, the Saudi Construction Sector garnered the largest percentage of projects awarded during Q3-20 representing approximately 33% of the total value of contracts awarded during the quarter. According to Oil & Gas World Magazine, Saudi Aramco canceled an investment deal to build a refinery and petrochemical complex in China which was worth about USD 10 Bn. Aramco also cancelled a project to build a USD 20 Bn crude-to-chemical plant in Yanbu, western Saudi Arabia.

UAE

The UAE has been the largest projects market in the GCC despite a y-o-y fall 44% in new projects during Q3-20. The Emirate represented 37.1% of total Q3-20 new contracts awarded in the GCC countries. In terms of sector, the construction once again topped the biggest pie of new project awards in the UAE and represented 45.9% of new project awards during the quarter. The Power sector was next with USD 1.2 Bn worth of contracts awarded during Q3-20 up from USD 543 Mn in Q3-19.

Notable projects that were awarded in the UAE during Q3-20 included the USD 245 Mn contract awarded by ADNOC to upgrade Jebel Dhanna Terminal. The contract was awarded to two companies, a Chinese engineering firm and Abu Dhabi based engineering company. ADNOC also awarded three contracts worth of USD 324 Mn intended to improve and maintain the onshore operations of several wellhead installations across Abu Dhabi.

According to MEED, over 35'000 homes were added to Dubai's property market during 2019. The Dubai Expo, which is now delayed till October 2021 due to COVID-19 disruption, was a key event in which contractors were expecting would take in Dubai's excess property oversupply. Dubai expected the Expo would give a much-needed lift to certain sectors such as the Real Estate and Hospitality sectors.

Kuwait



Kuwait has been one of the best performing countries in terms of new contracts awarded among the GCC countries. New projects awarded in Q3-20 stood USD 1.1 Bn slightly lower than USD 1.2 Bn worth of contracts awarded in Q3-19. Kuwait's Transportation Sector represented 51.8% of the total new projects during Q3-20, followed by the Construction sector at 41.2%. According to MEED, there

are currently USD 167 Bn active construction and transport projects in Kuwait in which around 63% are at the pre-execution phase.

Some notable new projects that are currently under study in Kuwait include the USD 170 Mn development of Fintas Coastal Haven. This project which is being undertaken by the Kuwait Ports Authority includes the construction of new buildings, multi-story car parks, a hotel resort, and a shopping mall among other things in Fintas. Another significant project which is also currently under study is the construction of Subhan Pump Station currently planned by the Ministry of Electricity and Water. The Subhan Pump Station project is worth around USD 200 Mn and includes the construction of pump stations and control facilities, the construction of reservoirs and generator building.

On the other hand, According to MEED, some major projects that are about to be completed include the Sabah Al-Salem University Administration Facilities estimated to be cost about USD 630 Mn and Sabah Al-Salem University construction of Sharia Law and Social Sciences Colleges estimated around USD 575 Mn. Both projects are undertaken by Kuwait University.

Qatar

Total value of new contracts awarded by Qatar during Q3-20 increased by 35.6% y-o-y to USD 3.4 Bn up from USD 2.5 Bn in Q3 -19. Qatar's Construction and Transport Sectors made up over 90% of the new projects awarded during the quarter. Some of the new contracts that headlined the jump in new projects during Q3-20 was Qatar's Public Works Authority (Ashghal) award of nine new road and infrastructure contracts valued around USD 981 Mn to local companies, according to Zawya.

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Kamco Investment Company - K.S.C. (Public)

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 2233 6600 Fax: (+965) 2249 2395

Email : kamcoird@kamcoinvest.com

Website : www.kamcoinvest.com

Kamco Invest