

GCC Projects Market Update

February-2022

GCC projects market reach highest point in more than two years....

Reflecting higher oil prices and a renewed confidence that the Covid-19 recovery will likely continue unabated, the GCC projects market reached heights that were last seen in 2019. The GCC yearly projects market awards passed the USD 100 Bn mark after witnessing a late surge in project awards during Q4-21 primarily from Saudi Arabia.

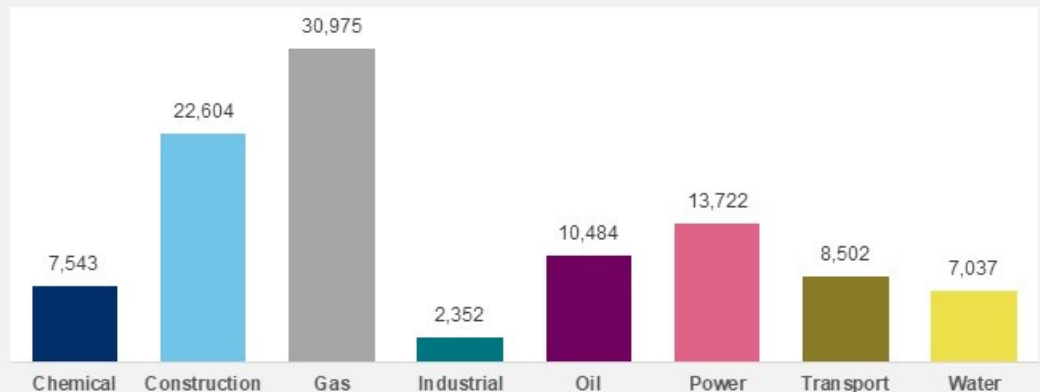
Total value of GCC contracts awarded in 2021 increased by 50.8% y-o-y to USD 103.2 Bn against USD 68.3 Bn in 2020 underscoring the region's economic recovery is going well from the pandemic disruption. The recovery was led by the quick and well-coordinated strategic response of the GCC countries which curbed the regions initial virus spread and later allowed quick access of vaccines.

Saudi Arabia, the GCC's largest projects market, recorded the biggest y-o-y increase in value of contracts awarded that reached USD 42.4 Bn in 2021 as compared to USD 22.2 Bn in 2020. Comparatively, the UAE recorded a 13.7% rise in y-o-y projects awarded in 2021 which reached USD 24.1 Bn. Qatar's value of full year projects awarded in 2021 also jumped by 92.6% to USD 25.1 Bn compared with USD 13 Bn in 2020. **Saudi Arabia, UAE and Qatar represented over 88.7% of GCC contract awards in 2021 witnessing a 6.3% rise from 2020.** Total projects awarded in Kuwait during 2021 rose by 12.5% to USD 4.9 Bn up from USD 4.4 Bn for the FY 2020.

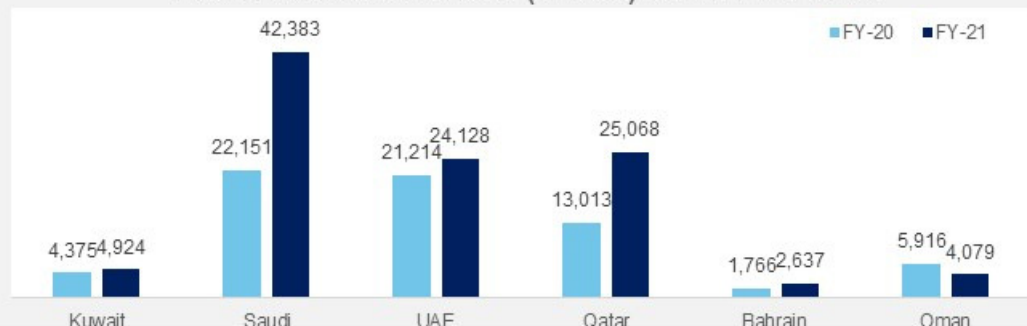
Oman has been the only GCC country to see its full year 2021 projects awarded decline at USD 4.1 Bn down from USD 5.9 Bn value of contracts it has seen in 2020. On the other hand, the value of contracts awarded by Bahrain during 2021 rose 49.3% to USD 2.6 Bn Mn compared with USD 1.8 Bn during FY.

In terms of value of GCC projects awarded during Q4-21, the picture was mixed as four out of the six countries witnessed a y-o-y rise in their project awards while the remaining two saw a decline. Kuwait, KSA and UAE witnessed a strong y-o-y growth for the fourth quarter of the year recording 278.9%, 204.7% and 267% growth to reach USD 1.9 Bn, USD 18.7 Bn and USD 12.1 Bn in their Q4-21 contract awards, respectively. Comparatively, Qatar and Oman suffered 90.3% and 71.6% y-o-y fall in their project awards for the fourth quarter of the year to USD 272 Mn and USD 539 Mn respectively.

FY-2021 GCC Project Awards by Industry (USD Mn)



Value of GCC Contract Awards (USD Mn) - FY-2020 Vs FY-2021



Sources : MEED Projects, Kamco Invest Research

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Saudi Arabia

Saudi Arabia was the largest projects market in the GCC during 2021, according to data from MEED Projects, with the highest number of construction projects not only in the GCC but for the whole of MENA region. Around 44% of the Kingdoms 2021 projects came during the fourth quarter of the year.

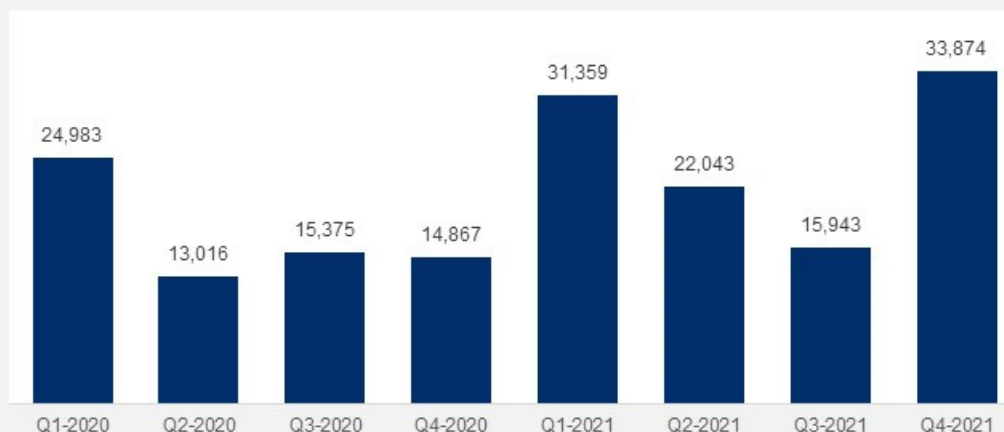
The Kingdom has been the largest projects market in the GCC ahead of the UAE comprising 41.1% of the total GCC contract awards in 2021. Total value of new projects in the Kingdom increased by USD 20.2 Bn y-o-y in 2021 to reach USD 42.4 Bn. The value of contracts awarded during Q4-21 witnessed a y-o-y uptick in real terms of USD 12.6 Bn to USD 18.7 Bn in the last quarter of 2021.

In terms of sectors, the Kingdom's Gas Sector leapt into the lead as the largest sector by value of awarded projects representing 29.5% of the total projects awarded in the Kingdom during Q4-21 mainly due to Aramco's Jafurah contract. The sector witnessed its value of awarded contracts rise to USD 5.5 Bn in Q4-21 up from USD 140 Mn in Q4-20. The Oil Sector followed as the second largest sector in terms of value of contracts awarded witnessing USD 3.8 Bn worth of new projects during Q4-21. The Oil Sector represented 20.4% of the projects awarded in Q4-21 up from 12.6% as its share of total projects during Q4-20. Moreover, new projects awarded in the Saudi Power sector jumped from USD 634 Mn in Q4-20 to USD 3.7 Bn in Q4-21.

Some of the notably large projects announced during Q4-21 in the Kingdom was the USD 10 Bn Jafurah natural gas contracts. The Jafurah field is the largest non-associated gas field in the Kingdom and it is estimated to hold around 200 trillion standard cubic feet of natural gas. The field is expected to make the Kingdom one of the biggest natural gas producers in the world, producing 200 Mn cubic feet of natural gas per day by 2025. Furthermore, the Jufurah field is forecasted to be able to produce around 2 Bn standard cubic feet of natural gas by 2030 helping elevate Saudi Arabia's quest for green credentials. Another major project awarded during the end of the past year has been the Aramco's USD 4.5 Bn worth Zuluf offshore oil field expansion contracts. UAE's National Petroleum Construction Company (NPCC), a wholly-owned subsidiary by National Marine Dredging was one of the companies that won Aramco's Zuluf oil field expansion contracts securing USD 2.2 Bn worth packages. Other major projects in the Kingdom that were awarded during 2021 include the Qiddiyah Entertainment City and King Salman Park in Riyadh.

After the lifting of Covid-19 induced economic restrictions, the Saudi economy has seen one of the best economic recoveries among the GCC countries. This has directly affected the Kingdoms projects outlook encouraging overall project activity. In its latest Regional Economic Outlook report, the IMF forecasted the Kingdoms GDP to grow 2.8% during 2021 and 4.8% in 2022 bouncing back from the 4.1% GDP contraction it recorded in 2020. Non-oil GDP is expected to be the main driver in Saudi Arabia's economic recovery during 2021 with projected growth of 4.7% compared with 0.1% projected growth for oil GDP during the same period.

GCC Project Awards by Quarter - USD Mn



UAE

The UAE lost its position as the second largest projects market in the GCC to Qatar despite the Emirates witnessing its Q4-21 contract awards jump by 267% y-o-y to reach USD 12.1 Bn up from USD 3.3 Bn in Q4-20. The Emirate's total project awards merely grew 13.7% to USD 24.1 Bn during 2021 mainly driven by the UAE's economic recovery and positive outlook. The UAE's represented 23.4% of the total GCC contracts awarded during 2021.

In terms of sectors, the Construction Sector once again topped the biggest pie of new project awards in the UAE representing 34.7% in FY-21 as compared with 45.2% it represented during FY-20. The Chemical and Gas sectors of the Emirate was the main drivers of projects growth during 2021. Total value of contracts awarded in the Chemical sector jumped from USD 426 Mn in FY-20 to USD 5 Bn in 2021. The Chemical sector recorded one of the largest contracts in the UAE during FY-21, lead by the Borouge 4 Chemical Complex estimated to worth over USD 5 Bn. In the fourth quarter of 2021, Abu Dhabi National Oil Company (ADNOC) and Borealis signed the final investment contract for the Borouge 4 Complex at Ruwais in Abu Dhabi.

Similarly, total value of contracts awarded in the Gas sector has risen from USD 588 Mn in FY-20 to USD 3 Bn in FY-21. During the last quarter of 2021, the UAE announced that it is accelerating its USD 20 Bn gas project awards to lift from the Emirates exports and reach self sufficiency in natural gas by 2030. One of the key natural gas contracts to get awarded during the fourth quarter of 2021 is the USD 1.4 Bn Dalma Gas project in the Persian Gulf. ADNOC awarded two engineering, procurement and construction (EPC) contracts to the National Petroleum Construction Company and a joint project to Tecnicas Reunidas and Target Engineering.

According to the UAE's Central Bank, the country's GDP is expected to grow 4.2% during 2022 driven by real oil GDP which is forecasted to rise 5% as global oil demand grows and more people are vaccinated and economies are opened up. Moreover, the resumption of normality in global travel and tourism is expected to improve UAE's economic growth since the Emirate is a global trade and transit hub and tourism destination. CBUAE expects the UAE government will continue its increase in public spending giving a positive outlook for the Emirates project market in 2022 as well as improving business sentiment.

The UAE recently became the first GCC country to bind itself to the carbon neutrality goals announcing that the Emirates carbon emission will reach the net zero goal by 2050. To realize this target the UAE government has unveiled a USD 163.4 Bn worth of projects on renewable energy over the next thirty years. Moreover, the UAE government has approved a USD 16 Bn budget for 2022 which will focus mainly on improving the Emirates infrastructure boosting the projects market of the country.

Kuwait

Kuwait witnessed a 278.9% y-o-y jump in its total value of contracts awarded in Q4-21 to reach USD 1.9 Bn against USD 489 Mn during Q4-20 recording the highest quarterly project value over two years.

Kuwait's Construction sector received the lion share of the projects awarded during FY-21 which stood at USD 2.4 Bn during FY-21 up from USD 1.2 Bn during FY-20. The Oil and Power sectors followed far behind each receiving USD 189 Mn and USD 174 Mn worth of contracts during the quarter respectively.

In terms of projects awarded during the fourth quarter of the year, Kuwait has awarded two major oil and gas contracts, a USD 398 Mn Jurassic gas contract and a USD 409 Mn oil project, during the final month of 2021. Kuwait Oil Company (KOC) awarded the Jurassic production facilities project known as JPF-4 to Spetco International Oil Company. The facility will conduct the testing, processing, treating and general handling of wet and sour gas from several oil and gas fields. KOC also awarded a USD 409 Mn well hook up to Sayed Hamid Behbehani & Sons. The contract award which is known as "11 Patterns Well Hook-up", aims to increase the production of heavy oil in North Kuwait by 60,000 barrels of oil per day to 120,000 barrels per day.

In its latest Regional Economic Outlook for the Middle East and Central Asia region, the IMF forecasted Kuwait real GDP growth to reach 4.3% in 2022, the second largest real GDP growth in the GCC after Saudi Arabia's 4.8%. The IMF penciled 0.9% real GDP growth for 2021 recording a slight uptick from its 0.7% in during its Apr-21 regional report. The IMF expects Kuwait's oil GDP to rise 5% during 2022 after contracting 0.6% during 2021.

Qatar

Qatar was the second largest projects market in the GCC during 2021 thanks to a better-than-usual USD 19.4 Bn contract awards in Q1-21. On the other hand, Qatar's total Q4-21 projects awards reached USD 272 Mn down from USD 2.8 Bn in Q4-20. Overall, the country recorded a USD 25.1 Bn worth of contract awards for FY-21 against USD 13 Bn in 2020.

In terms of sectors, Qatar's Gas sector took the lions share of projects in 2021 recording a total of USD 19.3 Bn worth of contracts and representing over 77% of total projects awarded in the country during the year. During the first quarter of 2021 Qatar-gas, a subsidiary of state-owned Qatar Petroleum (QP), has awarded USD 13 Bn liquified natural gas contract to a group of French and Japanese energy companies (Chiyoda and Technip) for the first phase expansion of the North Field.

Qatar is set to host the FIFA World Cup during the summer of 2022. Qatar's government has stated that the country expects the four-week football event would add about USD 20 Bn to Qatar's economy. Combined with the easing of Covid-19 pandemic restrictions and the normalization of ties with gulf sister countries Qatar is expected to record solid economic growth. However, project market activity is expected to take a hit during the year, according to MEED Projects.

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