

## GCC Projects Market Update

March-2021

### GCC projects continue to decline despite the lifting of COVID-19 restrictions...

GCC countries lifted restrictions that were put in place to combat the spread of coronavirus for the last two quarters of 2020. However, the region's new project awards still continued to decline, recording one of the worst years, for project market awards in the region. The sharp fall has come as the regions projects market reeled from the deep economic wounds caused by COVID-19 induced restrictions.

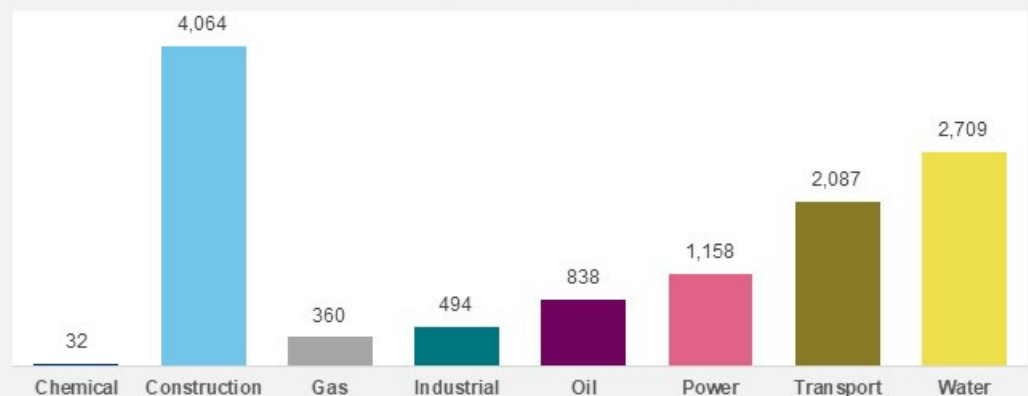
**Total value of GCC contracts awarded in Q4-20 declined by 45.1% y-o-y to USD 11.8 Bn against USD 21.4 Bn in Q4-19 underlining the worst projects quarter by value for over ten years. Data from MEED Projects showed a steep decline in new projects awarded by Saudi Arabia and UAE during the quarter vs Q4-19.**

**Saudi Arabia, the GCC's largest projects market, recorded the biggest y-o-y fall in value of contracts awarded that reached USD 4.6 Bn in Q4-2020 as compared to USD 8.8 Bn in Q4-19.** The UAE recorded a 53.8% decline in y-o-y contracts awarded in Q4-20 to reach USD 2.7 Bn. Comparatively, Qatar's value of projects awarded in Q4-20 declined by 50.2% to USD 2.2 Bn compared with USD 4.3 Bn in the corresponding period of 2019. **Saudi Arabia, UAE and Qatar represented over 80.4% of GCC contract awards in Q4-20.** Total Q4-20 projects awarded in Kuwait shrunk by 18.5% to USD 431 Mn down from USD 529 Bn in Q4-19, making Kuwait the second lowest GCC projects market in the region after Bahrain which saw its Q4-20 projects fall 80.3% to USD 221 Mn.

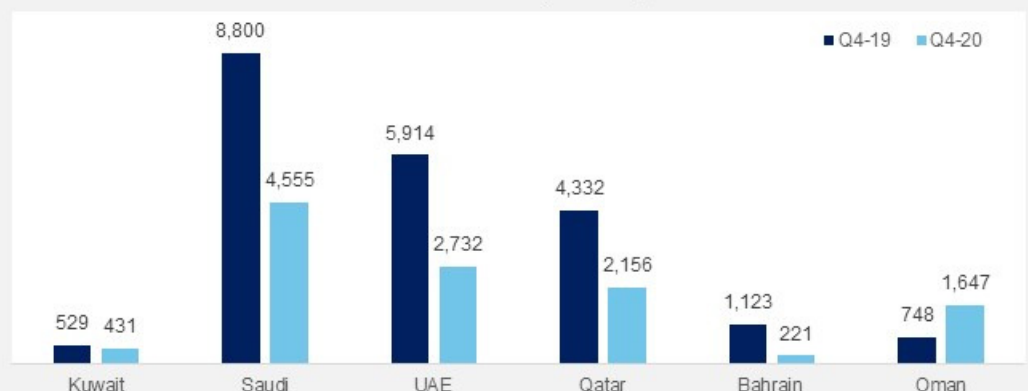
In terms of new projects, the UAE topped the list among the GCC countries with 235 projects in Q4-20 followed by Saudi Arabia and Qatar which recorded 140 and 55 projects, respectively. The UAE's projects market was mainly buoyed by awards of smaller scale residential projects.

For the full year 2020, Saudi Arabia and UAE, the two largest projects markets in the region have been the worst hit in terms of absolute value contracts decline. Saudi Arabia's y-o-y value of contract awards in 2020 decreased USD 33.4 Bn while UAE value of contracts fell by nearly USD 12 Bn in 2020.

Q4-2020 GCC Projects Awards by Industry (USD Mn)



Value of GCC Contracts Awards (USD Mn) - Q4-19 Vs Q4-20



Sources : MEED Projects, Kamco Invest Research

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## Saudi Arabia

Total value of new projects in the Kingdom reached USD 20.5 Bn in 2020 against USD 53.9 Bn in 2019, recording a 62% decline according to MEED Projects. The Kingdom has been the largest projects market in the GCC just ahead of the UAE comprising 31.4% of the total GCC contract awards in 2020. In terms of quarterly trends, new projects awarded in the Kingdom increased 34.8% from Q3-20 to Q4-20 to reach USD 4.6 Bn showing a pick up in project activity in the Kingdom. In terms of sectors, new projects awarded in the Saudi Construction Sector declined from USD 3.5 Bn in Q4-19 to USD 1.7 Bn in Q4-20. On the other hand, new contracts awarded during Q4-20 in the Saudi Water Sector, the second largest sector after the Construction Sector, reached USD 984 Mn up from USD 751 Mn in Q4-19. One of the notably large contracts awarded during Q4-20 in the Kingdom was the USD 384 Mn Shuqaiq seawater reverse osmosis desalination plant. The plant would have a desalination capacity of 400 thousand cubic meters of water per day.

## UAE

The Emirate remained the second largest projects market in the GCC despite a 36.5% decrease in value of new contracts awarded in 2020 that reached USD 20.2 Bn down from USD 31.8 Bn in 2019 mainly due to the disruptions caused by COVID-19. The UAE represented 30.1% of total FY 2020 new contracts awarded in the GCC countries. In terms of sectors, the Construction Sector once again remained the largest sector in terms of new project awards in the UAE and represented 50.5% of new contracts awarded in Q4-20. New contracts in the Construction Sector declined by 41.5% to reach USD 1.4 Bn in Q4-20 down from USD 2.4 Bn in Q4-19 according to figures compiled by MEED. The issues of the UAE's Construction Sector have been symbolized by the crisis of one of its leading construction companies, Arabtec. Shareholders of Arabtec Holding proceeded with the liquidation process to dissolve the company. The Water sector followed the Construction Sector as the second largest sector in the Emirate with USD 426 Mn worth of contracts awarded during Q4-20 up from USD 220 Mn in Q4-19.

Notable projects that were awarded in the UAE during Q4-20 included the USD 1 Bn project awarded by offshore arm of ADNOC to revamp storage facilities on the Das Island Abu Dhabi. The contract was awarded to the Chinese firm CPPE.

## Kuwait:

New contracts awarded in Kuwait during 2020 rose 24.1% to USD 4.1 Bn compared with USD 3.3 Bn in 2019 despite the severe disruption caused by the pandemic. Among the GCC countries only Bahrain had lower aggregate of total value contracts awarded than Kuwait for the full year of 2020. In terms of sectors, the Water Sector overtook the Construction Sector as the largest sector recording USD 1.7 Bn worth of contracts in 2020 up from USD 89 Mn in 2019. Some of the projects in the Water Sector



currently underway in Kuwait include the USD 254 Mn Network & Water Treatment project in which Kuwaiti's Ministry of Public Works is constructing 16 reservoirs, pumping stations and 99.3 KM ductile iron pipe among other things. Meanwhile, the Construction Sector, which has been in a downturn since 2017 is now showing signs of recovery. According to MEED, the value of contracts awarded in Kuwait during 2020 (early December) stood at USD 1.9 Bn compared with USD

1.7 Bn for the whole year of 2019. Currently there are over USD 167 Bn active construction and transport projects in Kuwait of which 63% are at the pre-execution (new) stage.

Some eye-catching contracts that have been awarded in Kuwait during Q4-20 include the gas contract signed by Desfa (Greece Hellenic Gas Transmission System Operator). According to MEED Projects, the contract which is valued around USD 106 Mn is expected to start in 2021, it includes the operation and maintenance of the USD 2.9 Bn LNG terminal under construction in Al Zour.

## Qatar

Total value of new contracts awarded by Qatar during 2020 declined by 10% y-o-y to USD 12.1 Bn down from USD 13.4 Bn in 2019. Qatar's Construction and Transport Sectors made up over 84.5% of the new projects awarded during the year. New Contracts awarded during Q4-20 within the Transport Sector fell 65% to USD 806 Mn down from USD 2.3 Bn in Q4-19. Qatar has completed 90% of its infrastructure projects and World Cup 2022 stadiums, according to the Chairman of the SC committee. There are currently three stadiums that remain under construction for the World Cup 2022.

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