

GCC Projects Market Update

November-2021

GCC projects market remains subdued as pandemic woes persist...

The fight to limit the spread of the coronavirus carries on as vaccination against the COVID-19 pandemic continues in the GCC region. However, global economic woes and supply chain problems have limited the GCC's project awards growth for Q3-21.

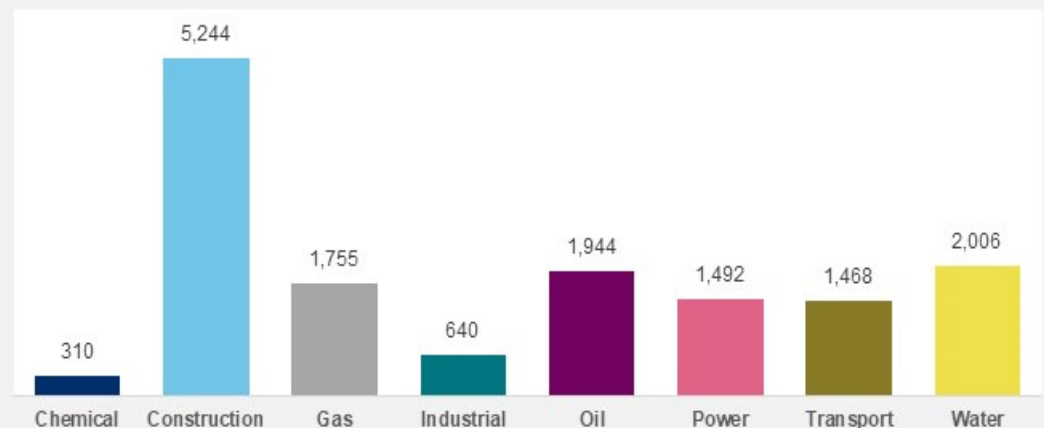
Total value of GCC contracts awarded in Q3-21 decreased by 8.9% y-o-y to USD 14.9 Bn against USD 16.3 Bn in Q3-20 underscoring the region's economic recovery is still reeling from the pandemic disruption. In its latest regional economic update, the IMF lowered the GCC regions real GDP forecast by 20 basis points to 2.5% for 2021.

Saudi Arabia, the GCC's largest projects market, recorded the biggest y-o-y increase in value of contracts awarded that reached USD 7.6 Bn in Q3-2021 as compared to USD 3.6 Bn in Q3-2020. The UAE recorded a 51.9% fall in y-o-y contracts awarded in Q3-21 to reach USD 2.9 Bn. Qatar's value of projects awarded in Q3-21 also declined by 16.7% to USD 3.0 Bn compared with USD 3.4 Bn in the corresponding period of 2020. **Saudi Arabia, UAE and Qatar represented over 91% of GCC contract awards in Q3-21.** Total projects awarded in Kuwait during Q3-21 fell by 58.2% to USD 507 Mn down from USD 1.2 Bn in Q3-20.

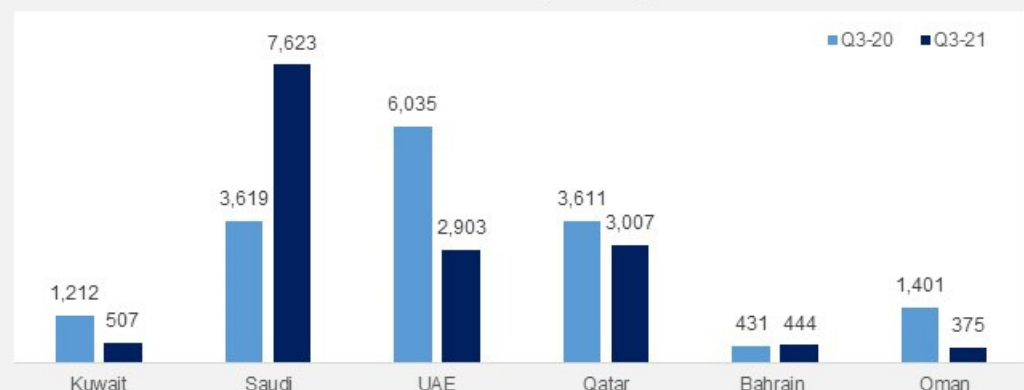
Oman's total value projects for Q3-21 fell by three quarters y-o-y to reach USD 375 Mn down from USD 1.4 Mn during Q3-20. On the other hand, the value of contracts awarded by Bahrain during Q3-21 rose 3% to USD 444 Mn compared with USD 431 Mn during Q3-20.

In terms of value of GCC projects awarded during 9M-21 GCC project award picture was mixed as three out of the six countries witnessed a y-o-y rise in their 9M project awards while the remaining three saw a decline. Saudi Arabia and Qatar witnessed a strong y-o-y growth for the first nine months of the year at 34.9% and 133.7% increase to USD 21.8 Bn and USD 23.8 Bn, respectively. Comparatively, Kuwait and UAE suffered 20.6% and 42.2% y-o-y fall in their project awards for the first nine months of the year to USD 3.1 Bn and USD 10.6 Bn respectively.

Q3-2021 GCC Projects Awards by Industry (USD Mn)



Value of GCC Contracts Awards (USD Mn) - Q3-20 Vs Q3-21



Sources : MEED Projects, Kamco Invest Research

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Saudi Arabia

Saudi Arabia had the busiest projects markets in the GCC, according to MEED Projects. With the highest number of construction projects not only in the GCC but for the whole of MENA region. The Kingdom had 190 profiles out of the 622 construction awards in the MENA region. Total value of new projects in the Kingdom increased by USD 4.0 Bn y-o-y for Q3-2021 to reach USD 7.6 Bn. The Kingdom has been the largest projects market in the GCC ahead of the UAE comprising 51.3% of the total GCC contract awards in Q3-2021. Comparatively, the value of contracts awarded during 9M-21 also witnessed a y-o-y uptick in real terms of USD 5.6 Bn to USD 21.6 Bn in 9M-21. The Kingdom has seen its value of projects awarded increase for the last three consecutive quarters.

In terms of sectors, the Construction Sector maintained its lead as the largest sector by value of awarded projects among the sectors representing 27.1% of the total projects awarded in the Kingdom during the quarter. The sector witnessed its value of awarded contracts rise to USD 2.1 Bn in Q3-21 up from USD 1.9 Bn in Q3-20 although the Construction Sectors contract proportion has waned in the Kingdom. The Sector represented 20.2% of the projects awarded in Q2-21 down from 31.5% in Q2-20. Moreover, new projects awarded in the Saudi Water sector jumped from USD 225 Mn in Q3-20 to USD 1.6 Bn in Q3-21. Similarly, Saudi Power Sector project awards rose from USD 240 Mn in Q3-20 to USD 1.2 Bn in Q3-21 while Water sector awards.

One of the notably large projects announced during Q3-21 in the Kingdom was the USD 500 Mn natural gas liquid plant project in which Aramco awarded to Japanese contractors JGC. The contract entails the building of dew-point control system at the Abqaiq natural gas liquid plant in Easter Saudi Arabia. Moreover, the financing for the USD 12 Bn Jizan joint venture which was established in 2018 is completed. The main participants of the venture Saudi Aramco, ACWA Power, Air Products Qudra and the US based Air Products company. The Jizan scheme will buy the Air Separating Unit, gasification, syngas cleanup and other utilities from Aramco. The projects power generating arm is expected to reach a maximum capacity of 3700 MW.

UAE

The UAE witnessed its Q3-21 contracts awarded fall by 51.9% y-o-y to reach USD 2.9 Bn down from USD 6.0 Bn in Q3-20. The Emirate was the second largest projects market in the GCC region representing 19.5% of total Q3-21 new contracts awarded. Similarly, the UAE's 9M-21 contracts awarded declined by 42.2% to USD 10.6 Bn suffering the steepest decline in value of projects awarded among the GCC countries for the first nine months of the year.

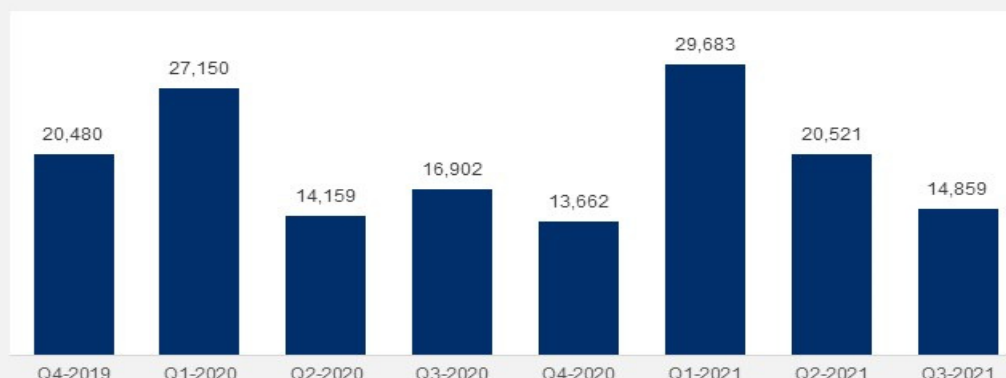
In terms of sectors, the Construction Sector once again topped the biggest pie of new project awards in the UAE representing 77.4% in Q3-21. However, new contracts in the Sector declined by 25.2% y-o-y to reach USD 2.2 Bn in Q3-21 down from USD 3.0 Bn in Q3-20.

Despite the fall in new project awards in the Emirate, there have been significant announcement of projects such as the Dubai's USD 7 Bn public private partnership raising the total value of existing and upcoming PPP in Dubai to USD 17.7 Bn, according to MEED. Other notable projects that were unveiled in the UAE during Q3-21 included Abu Dhabi National Oil Company's USD 1 Bn worth of engineering projects that are vital for the Emirates 2030 vision.

Kuwait:

Kuwait witnessed a 58.2% y-o-y decrease in its total Q3-21 value of contracts awarded to reach USD 507 Mn against USD 1.2 Bn during Q3-20 showing a slowdown in project awards after jump in contract awards during Q2-21. Similarly, total new contracts awarded in Kuwait during 9M-21 has also decreased by 20.6% to USD 3.1 Bn down from USD 3.8 Bn in 9M-20. Kuwait's Construction sector received

GCC Project Awards by Quarter - USD Mn



the lion share of the projects awarded during Q3-21 which stood USD 339 Mn during the quarter up from USD 473 Mn during Q3-20. The Power and Oil sectors followed far behind each receiving USD 189 Mn and USD 174 Mn worth of contracts during the quarter respectively.

Despite the decrease in the value of contracts awarded during the quarter, there have been many notable Contracts awarded in Kuwait during Q3-21. The state-owned Kuwait Oil Company has recently awarded two major contracts which are estimated to worth a combined sum of around USD 221 Mn. KOC awarded the larger contract, onshore 3-D seismic survey services valued at USD 136.7 Mn, to the Chinese company Bureau of Geophysical Prospecting (BGP). On the other hand, KOC awarded the smaller contract, valued at USD 84.5 Mn, for rig supply workover operations to the Egyptian company Sino Tharwa Drilling Company. This is on the back of KOC's USD 360 Mn rig service project was awarded to China's Sinopec during Feb-2021.

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