

GCC Projects Market Update

October-2022

Fears of economic slowdown impacts GCC project market in Q3-2022...

GCC project awards contracted during the third quarter of the year as global economic challenges mounted. The decline was intensified by high inflation and continuing supply chain problems mainly due to China's intermittent Covid-19 restrictions as well as the US-EU sanctions on Russia. In addition, the increase in benchmark rates by global and regional central banks to combat runaway inflation also affected project funding.

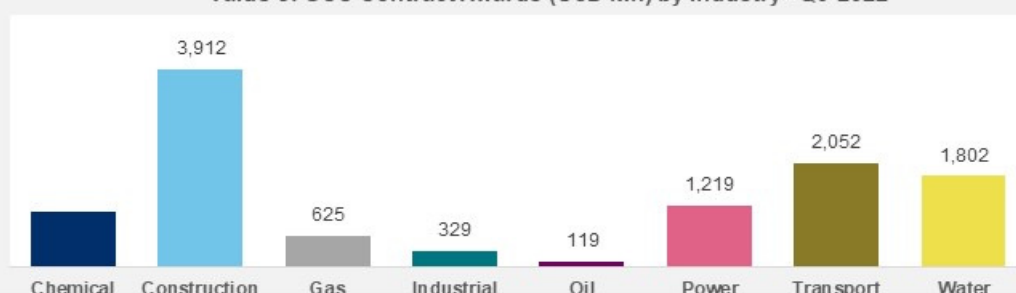
Total value of GCC contracts awarded in the GCC declined by 40.8% y-o-y during Q3-2022 to USD 11.1 Bn as compared to USD 18.8 Bn in awards during Q3-2021. All the GCC countries, barring Qatar that saw a smaller decline, witnessed a double digit fall in their aggregate Q3-2022 y-o-y value of projects awarded.

The UAE overtook Saudi Arabia as the largest projects market in the GCC during Q3-2022 recording a total of USD 3.7 Bn worth of contracts awarded against USD 3.5 Bn awarded by Saudi Arabia. Qatar ranked 3rd during the quarter with total contract awards at USD 3.4 Bn as compared to USD 3.6 Bn during Q3-2021. Saudi Arabia, UAE and Qatar accounted for a combined 96% of the total value of contracts awarded in the GCC during the quarter.

Total projects awarded in Kuwait during Q3-2022 declined by 69.1% to USD 162 Mn down from USD 525 Mn for Q3-2021. Oman witnessed Q3-2022 new projects awards drop of 68.1% y-o-y to USD 154 Mn. Aggregate value of contracts awarded in Bahrain reached USD 125 Mn in Q3-2022 as compared to USD 659 Mn during the similar period in 2021. In terms of sector classification, only the Chemicals sector witnessed an increase in the value of projects awarded during the quarter recording USD 540 Mn y-o-y increase in new contract awards to reach a total of USD 1.1 Bn during Q3-2022.

Total value of contracts awarded in the GCC during 9M-2022 declined by 26.2% to USD 53.0 Bn, down from USD 71.7 Bn in 9M-2021. Saudi Arabia accounted for more than half of total projects awarded in the GCC for the first nine months of the year. The Kingdom's total value of contracts awarded during 9M-2022 increased by 14.9% to reach USD 30.3 Bn up from USD 26.3 Bn in 9M-2021. The withdrawal of Covid-19-related restrictions and higher oil prices have contributed to the rise in the Kingdom's projects market during 2022. Comparatively, the UAE's aggregate value of contracts awarded during the first nine months of the year dipped 5.8% to USD 12.4 Bn against USD 13.1 Bn in 9M-2021.

Value of GCC Contract Awards (USD Mn) by Industry - Q3-2022



Value of GCC Contract Awards (USD Mn) by Country - Q3-2021 Vs Q3-2022



Sources : MEED Projects, Kamco Invest Research

Mohamed Ali Omar

Analyst

+(965) 2233 6906

momar@kamcoinvest.com

Junaid Ansari

Head of Investment Strategy
and Research

+(965) 2233 6912

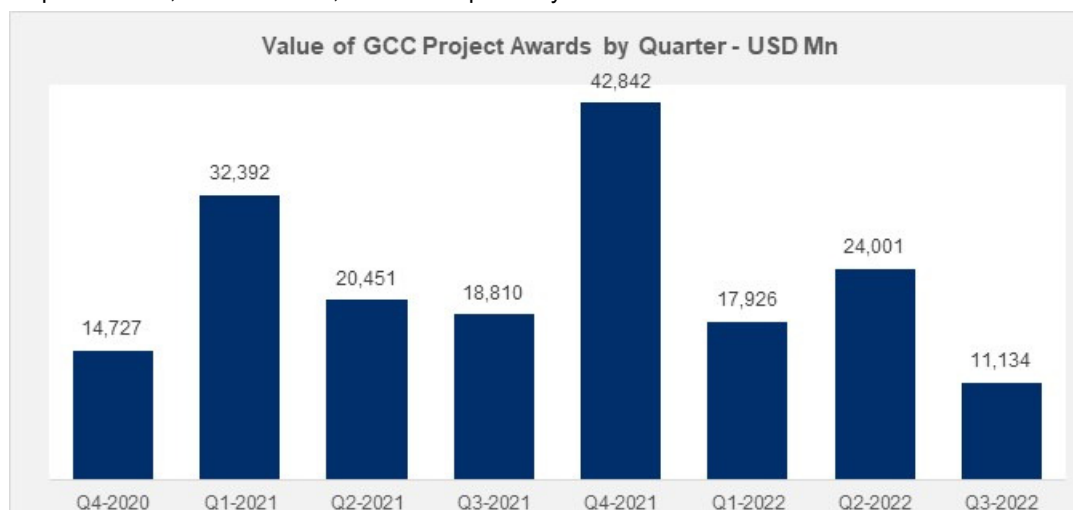
jansari@kamcoinvest.com

Saudi Arabia

Saudi Arabia's Q3-2022 aggregate value of project awards reached USD 3.5 Bn suffering the worst third quarter contract awards since the peak of the pandemic in Q3-2020, reflecting on worsening global economic forecast combined with higher inflation. The value of contracts awarded in the Kingdom during Q3-2022 witnessed a q-o-q decline of 78.5% and reached 3.5 Bn down from USD 16.5 Bn in Q2-2022.

In terms of sectors, the Construction sector retook the lead as the largest sector by value of awarded projects in the Kingdom accounting 41.6% (USD 1.5 Bn) of the total projects awarded in Saudi Arabia during Q3-2022 mainly due to the lack of new contracts of notable size in other major sectors. The Saudi Construction sector is the GCC's leading sector in terms of major projects. According to MEED, there has been seven construction projects which had a contract value greater than USD 500 Mn that were awarded in the GCC during 2022 and all seven were in Saudi Arabia. Contract awards from the USD 500 Bn Neom project are expected to drive the Saudi projects market in the near and distant future. Saudi Arabia has recently unveiled designs for one major contracts of its Neom project: a 170 KM high speed rail which would connect parts of the The Line.

Total value of projects awarded in the Saudi Power sector, the second largest sector in terms of value of contracts awarded, witnessed a 24.5% y-o-y decline to USD 1.1 Bn during Q3-2022 down from USD 1.5 Bn Bn during the corresponding period of the past year. This included Saudi Electricity's USD 567.5 Mn facility to finance Saudi-Egypt project which will interconnect electricity grids of Egypt and Saudi Arabia for 14 years. The Japanese company Hitachi Energy working with Egypt's Orascom and Saudi Services for Electromagnetic Works (SSEM) will build three HVDC converter stations for the transfer of electricity between Egypt and Saudi Arabia. The first HVDC converter station with capacity load of 3,000 MW is expected to be built at Badr in northeast of Cairo while the second and third HVDC converter stations are expected to be built at Tabuk and Medina with load capacities of 1,500 MW and 3,000 MW respectively.



Sources : MEED Projects, Kamco Invest Research

Currently, there are USD 7.6 Bn of NEOM contracts awarded, according to MEED Projects, of which USD 1.2 Bn are construction contracts, USD 6 Bn are transport contracts and USD 0.3 Bn are contracts related to water supplies. On the other hand, there are over USD 487 Bn worth of planned and unawarded NEOM projects of which 49% are in the design stage while 50% are in the study phase.

UAE

The UAE projects market recorded the highest aggregate value of contract awards in the GCC during Q3-2022 that reached USD 3.7 Bn, overtaking Saudi Arabia for the first time in 8 quarters. Despite topping the Q3-2022 project awards market in the GCC, total value of projects awarded in the UAE during Q3-2022 fell 5.9% y-o-y and 11.9% m-o-m. The Emirate represented 33.5% of the aggregate GCC contracts awarded during the quarter as compared to Saudi Arabia which represented 31.8%.

In terms of sectors, the Construction Sector once again accounted for the biggest pie of new project awards in the UAE representing 59.7% of total projects in Q3-2022. However, new projects awarded in the sector decreased 36.7% y-o-y to reach USD 2.2 Bn during the quarter down from USD 3.5 Bn in Q3-2021. On the other hand, the Power, Water and Transport sectors witnessed y-o-y percentage growth in awards during the quarter. The Water sector recorded USD 447 Mn in new contracts during Q3-2022 as compared to USD 300 Mn it registered in Q3-2021. Projects in the Power sector more than doubled y-o-y during Q3-2022 to reach USD 72 Mn as compared to USD 28 Mn during Q3-2021. Total contracts awarded in the Transport sector also nudged up 8.5% to USD 317 Mn during the quarter.

Some notable projects that were awarded during Q3-2022 in the Emirate included the USD 548 Mn contract awarded by Adnoc Offshore to National Petroleum Construction Company (NPCC) for a new main gas line in Lower Zakum field in Abu Dhabi. This award is expected to increase Lower Zakum field's gas production from 430 million standard cubic feet per day to 700 million standard cubic feet per day. Abu Dhabi National Oil Company (ADNOC) also awarded the drilling rights for the Hail and Ghasha sour gas developments, two of the three largest contracts in the Emirate during the quarter, to ADNOC Drilling. The ADNOC awards consist of USD 1.3 Bn contract for integrated drilling services and fluids and the USD 711 Mn project for the delivery of four island drilling units. ADNOC announced that gas production from the Ghasha field will start in 2025 and production capacity

will reach 1.5 billion cubic feet per day before 2030. The pipeline is being built to channel the expected increased volume of associated gas produced by the Lower Zakum oil field which is expected to increase to 450,000 barrels of oil per day. The project is expected to be completed by 2025 and includes the construction of a 36-inch thick and 85 KM long pipeline under the sea stretching from Zakum West Super Complex to Das Island, according to MEED.

Qatar

Total contracts awarded in Q3-2022 in Qatar dipped 5.1% y-o-y to reach USD 3.4 Bn down from USD 3.6 Bn during Q3-2021. In terms of q-o-q performance, the value of projects awarded more than doubled to reach USD 3.4 Bn up from USD 1.3 Bn in Q2-2022.

In terms of sectors, the Chemical sector took the lead as the largest sector by value of awarded projects in the Kingdom accounting for 32.1% (USD 1.1 Bn) of the total projects awarded in Qatar during Q3-2022 as compared to the USD 250 Mn value of contracts the sector received during Q3-2021. This was mainly due to the USD 1 Bn project to develop the world's largest ammonia facility awarded by Qatar Fertilizer Company and QatarEnergy Renewable Solutions to a consortium of Germany's Thyssenkrupp Uhde and Greece/Lebanon headquartered Consolidated Contractors Company (CCC). On the other hand, total projects awarded in the Qatari Construction sector dropped by 87% to reach down to USD 63 Mn during Q3-2022 from USD 485 Mn during Q3-2021.

Kuwait

Total projects awarded during Q3-2022 in Kuwait reached USD 162 Mn witnessing a 69.1% fall from USD 525 Mn in Q3-2021. During the quarter, Kuwait Oil Company awarded a USD 50.2 Mn contract for the provision of marine fleet staff to Kuwait-based Heavy Engineering Industries & Shipbuilding during September-2022. Moreover, Kuwait Public Authority for Housing Welfare awarded two engineering, procurement, and construction (EPC) contracts worth each USD 14 Mn for the construction of the main transformer station in East Sabah Al Ahmed Residential Project to Al-Ahlea Switchgear Co and National Contracting Company as the two main contractors. The Kuwaiti Ministry of Electricity and Water awarded a USD 84 Mn contract to lay a freshwater pipeline from the Wafra Distribution Complex to customers along the Sulaibiya – Kabd road up to the Sixth Ring Road.

Top Ten Projects Awarded in Kuwait in 2022	Industry	Net Project Value (\$m)	Main Contract Award	Main Contract Completion
PAI - Shaddadiya Industrial Area Infrastructure Package	Transport	281.0	May-22	Dec-24
KPA - Rehabilitation of Berths in Shuwaikh Port	Transport	160.0	Mar-22	Dec-25
Kuwait Ports Authority - Shuwaikh Port Expansion: New Utilities and Systems	Transport	96.0	Jun-22	Mar-24
MEW - Supply & Installation of 132kV OHL to Sheikh Salem Al-Sabah Camp	Power	90.0	Jan-22	Dec-24
MEW - Fresh Water Line from Wafra to Sixth Ring Road	Water	84.0	Jul-22	Dec-25
KPA - Shuaiba Port Upgrade and Expansion	Transport	59.0	Mar-22	Dec-24
US Army Corps of Engineers - Super Hornet B at Al Jaber Air Base	Construction	54.0	Apr-22	Dec-23
Kuwait Oil Company - Marine Fleet Staff	Transport	50.0	Sep-22	Dec-24
MEW - Boubayan 132/11kV Main Transformer Station (2 Nos)	Power	48.0	Apr-22	Jun-24
Touristic Enterprises Company - New Messilah Beach	Construction	40.0	Jan-22	Jun-24

Sources : MEED Projects, Kamco Invest Research

GCC Project Pipeline

The projects market pipeline in the GCC region continues to remain strong with data from MEED Projects showing around USD 2.50 Trillion worth of projects planned or underway in the GCC as of mid-October-2022 as compared to USD 2.61 Trillion at the end of June-2022. The aggregate value of projects in pipeline (pre-execution stage) in the GCC stood at USD 858 Bn as of 12-Oct-2022, according to data from MEED Projects. In terms of countries, Saudi Arabia makes up 44.8% (USD 384.5 Bn) of the GCC projects in the pipeline followed by UAE with 17.2% (USD 147.8 Bn) and Kuwait with 14.7% (USD 125.8 Bn). In terms of sectors, the Construction sector accounted for 28.4% or USD 243.9 Bn worth of projects in the pre-execution stage in the GCC followed by Transport and Power sectors with projects worth USD 145.6 Bn and USD 122.0 Bn, respectively.

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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