

GCC Projects Market Update

April-2023

Q1-2023 project awards up 55% led by chemical sector...

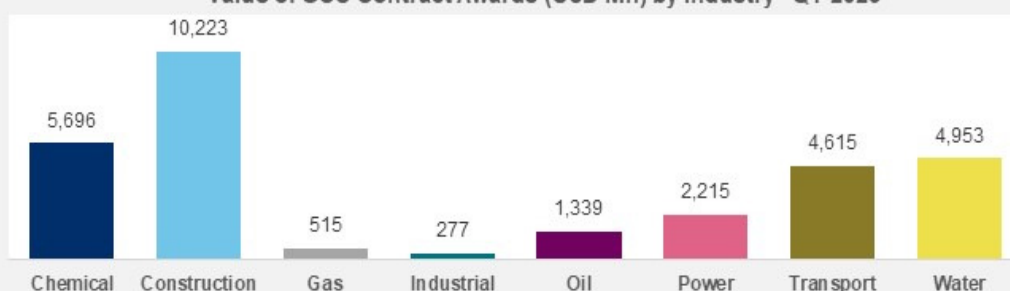
GCC project awards expanded during Q1-2023 despite global economic challenges such as the global financial sector turmoil, elevated inflation, and the ongoing Ukraine-Russia conflict. Total value of GCC contracts awarded increased by 54.7% y-o-y during Q1-2023 to USD 29.9 Bn as compared to USD 19.3 Bn in awards during Q1-2022. This was the second highest quarterly project awards since the start of 2022. All GCC project markets witnessed y-o-y project awards growth during Q1-2023 except for Bahrain which remains the smallest project market in the region. Saudi Arabia remained the largest projects market in the GCC during Q1-2023. Saudi Arabia's project awards recorded 17.9% growth during the quarter to reach USD 13.3 Bn as compared with USD 11.3 Bn in Q1-2022. Comparatively, the UAE project awards more than doubled to reach USD 10.0 Bn during the quarter while Kuwait's contract awards reached USD 1.8 Bn during Q1-2023 as compared with USD 407 Mn in Q1-2022 recording the highest percentage y-o-y contract awards increase in the region during the quarter.

In terms of sector classification, the Chemical sector witnessed the biggest increase in the value of projects awarded during the year recording USD 4.7 Bn y-o-y increase in new contract awards to reach a total of USD 5.7 Bn during Q1-2023.

Saudi Arabia alone accounted over 44.6% of the contracts awarded in the GCC region during Q1-2023, while Saudi Arabia, UAE and Qatar combined represented 84.1% of the overall projects in the GCC. Saudi Arabia's growth in contracts during the quarter was mainly fueled by Saudi Aramco bumper profits during FY-2022 which reached USD 161.1 Bn. It is reported that Aramco's Capex is expected to grow 20% during 2023 as the energy giant undertakes its mission to build its long-term oil and gas production potential.

The growth in the GCC project awards during this quarter has been partly fueled by the determination of the GCC countries to diversify their economies away from hydrocarbons. GCC member states have backed and invested in projects in the industrial sector such as aluminum, steel, and other industrial equipment manufacturing projects. For instance, Saudi Arabia plans to invest USD 453.2 Bn in its National Industrial Development & Logistics Program by 2030. The UAE has eleven initiatives in its industrial strategy which covers 11 sectors and forecasts its Industrial sector's GDP contribution to reach USD 81.7 Bn by 2030. In Kuwait, the government streamlined 164 programs and projects for its national industrial strategy with USD 100 Bn earmarked for development through public-private partnerships.

Value of GCC Contract Awards (USD Mn) by Industry - Q1-2023



Value of GCC Contract Awards (USD Mn) by Country - Q1-2023 Vs Q1-2022



Sources : MEED Projects, Kamco Invest Research

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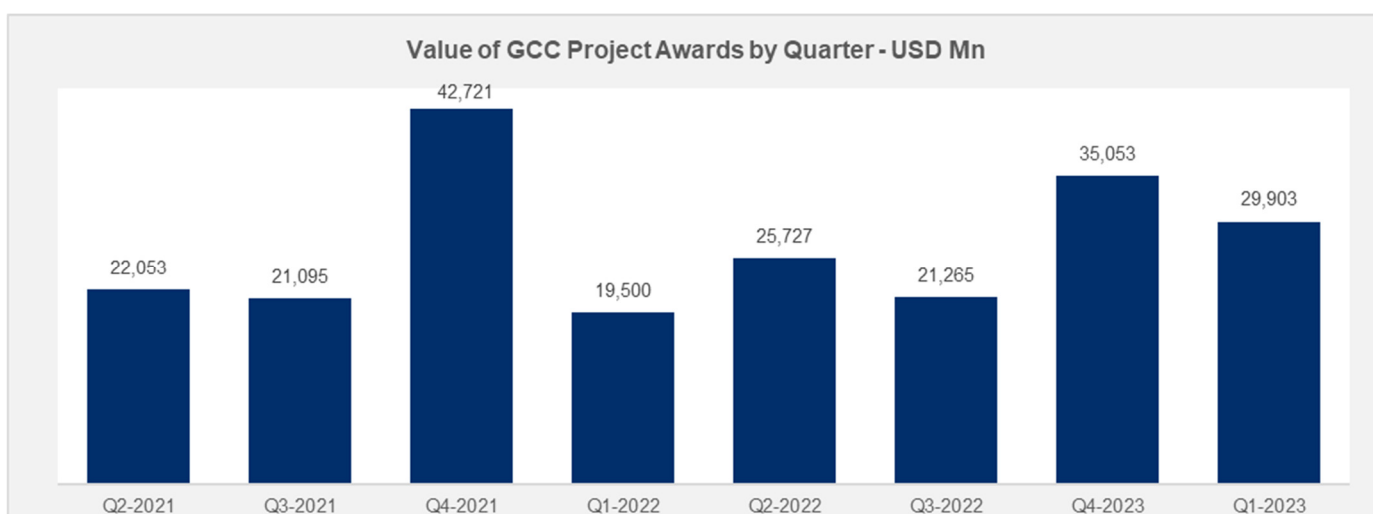
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Saudi Arabia

Saudi Arabia represented nearly half of the contracts awarded in the GCC region during Q1-2023. High oil prices and elevated energy demand supported the Saudi state's financial coffers making it able to spend on new contracts as well maintain to fund ongoing projects in the Kingdom. Saudi Arabia's contract awards are generally guided by the Kingdom's 2030 Vision in which the Saudi government plans to modernize its economy and diversify from its reliance on hydrocarbon exports. Mega projects such as the NEOM City, the Line and King Salman Park as well as expansion and maintenance projects for Aramco have had the lion's share of projects awarded in the Kingdom during the quarter. Overall, the total value of projects awarded in the Kingdom improved 17.9% to USD 13.3 Bn.

In terms of sectors, the Construction sector maintained its lead as the largest sector by value of awarded projects in the Kingdom accounting for 36.5% (USD 4.9 Bn) of the total projects awarded in Saudi Arabia during Q1-2023 up from its 24.8% during Q1-2022. Saudi Arabia's Construction Sector is expected to gain momentum in 2023 due to the Kingdom's ongoing economic diversification schemes spearheaded by Giga projects, according to reports. The Kingdom's Construction Sector is set to expand by 4.7% during 2023, a slight improvement on its 4.6% growth in the past year. One notable big project that has been announced in the Kingdom during the quarter is the New Murabba market. This project is estimated to be worth up to USD 100 Bn and is intended to create the world's largest downtown development covering an area of 19 square kilometers of which between 8 and 9 sq km has been officially launched. The New Murabba project is set to be completed by the year 2030.

The Saudi Transport Sector followed the Construction Sector as the second largest unit project awards reaching USD 3.4 Bn in aggregate contracts awarded during the quarter while the Water Sector followed as a distant third with USD 2.1 Bn. One notable project awarded during the quarter in Saudi Arabia's Water Sector, was the USD 677 Mn Rabigh 4 Independent Water Project deal. Stationed in the Kingdom's Red Sea coastal region, the project is expected to have a process capacity of 600 thousand cubic meters per day. According to MEED, the Rabigh 4 project includes the establishing of 1.2 million cubic meters water tank. The holy cities of Makkah and Medina will be the primary beneficiaries of the projects processed water. Total value of projects awarded in the Saudi Oil sector increased by more than nine times to reach USD 948 Mn during Q1-2023 up from USD 98 Bn Mn during Q1-2022.



Sources : MEED Projects, Kamco Invest Research

UAE

The UAE projects market maintained its spot as the second biggest projects market in the GCC during the first quarter of 2023 that reached USD 10.0 Bn, after Saudi Arabia. The UAE representation of the GCC contracts awarded increased from 23.4% in Q1-2022 to 33.6% in Q1-2023. The Emirate's projects market was mainly driven by the combination of factors that include elevated oil prices and ambitious development goals.

In terms of sectors, the Construction Sector once again accounted for the biggest pie of new project awards in the UAE representing 49.3% of total projects in Q1-2023. The UAE government has recently announced its allocation of 39% of its AED 252 Bn federal budget expenditure between 2023 and 2026 to social development and benefits sector. This has greatly aided the growth of contract awards in the Construction sector since it prompts future construction developments through investment in social welfare, healthcare, and entertainment projects. Moreover, new projects awarded in the sector registered a 146.9% y-o-y growth to reach USD 5.0 Bn during Q1-2023 up from USD 2.0 Bn in Q1-2022. On the other hand, the Chemical, Gas and Water sectors also witnessed y-o-y percentage growth in awards during the year. The Water sector recorded USD 2.6 Bn in new contracts during Q1-2023 as compared to USD 320 Mn it registered in Q1-2022. Projects in the Chemical sector totaled USD 1.5 Bn up from zero during the comparable period in 2022. Total contracts awarded in the Gas sector also went from zero in Q1-2022 to USD 322 Mn in Q1-2023. On the other hand, the Oil sector witnessed an 85.3% decrease in value of projects awarded during Q1-2023 which reached USD 190 Mn down from USD 1.3 Bn in Q1-2022.

One of the notable projects that was awarded during Q1-2023 in the Emirates was the USD 2.0 Bn water PPP project contract awarded by Adnoc. The project involves the development of a nanofiltration plant with an estimated capacity to process 115 million imperial gallons a day (MIGD) in Mirfa. The project includes facilities for the plant's seawater intake and outfall, a pumping station and a 75-kilometer water transmission pipeline to the oil fields of Bab and Bu Hasa. It is expected that this project would be a substitute for the currently used system of aquifer water injection systems to maintain reservoir pressure in all on shore oil fields of Abu Dhabi.

Qatar

Total value of contracts awarded in Qatar during Q1-2023 increased by 69.2% y-o-y to reach USD 3.6 Bn up from USD 2.2 Bn during Q1-2022 recording strong growth after successfully hosting the FIFA World Cup in 2022. The growth in contract awards was mainly due to the country's maintenance of strong economic performance. According to MEED, Qatar's GDP growth is expected to dip from 3.4% in 2022 to 2.4% in 2023 but this will have little impact on Qatar's fiscal health to continue to fund and award projects.

In terms of contract awards by sector, the Chemical sector took over from the Gas Sector as the largest sector by value of awarded projects in the Qatar recording USD 2.8 Bn worth of contract awards during Q1-2023. The Qatari Chemical sector accounted for 76.9% of the total value of projects awarded in the country during the quarter. Comparatively, the Construction Sector recorded USD 116 Mn worth of project awards during the quarter recording a 63.1% y-o-y decline. Despite the y-o-y quarterly decline in value of contracts awarded in the sector, Qatar's Construction sector is expected to grow at compound annual growth rate (CAGR) of 9.5% from 2023 to 2030 to reach USD 123.1 Bn mainly due to planned government spending on infrastructure and other building projects. The Qatari government has allocated an estimated USD 14.8 Bn for new projects between 2021 and 2023. Moreover, the total value of projects awarded in the Power sector reached USD 328 Mn during the quarter while aggregate value of contracts awarded in the Transport sector touched USD 278 Mn.

One of the notable investment decisions that Qatar made during Q1-2023 included the USD 6 Bn Ras Laffan petrochemicals project with Chevron Philips Chemical. The Ras Laffan petrochemicals complex is set to start production in 2026. The complex comprises of an ethane cracker with capacity of 2.1 million tones per year of ethylene increasing Qatar's ethylene production potential by nearly 70%. The complex also has two polyethylene trains which have combined output of 1.7 million tons per year of high-density polyethylene polymer products which also raises Qatar's overall petrochemical production by 82% to 14 million tons per year. In terms of investment, QatarEnergy and China Petrochemical (Sinopec) have recently signed a deal to which China Petrochemical will invest in Qatar's USD 28.75 Bn North Field East expansion project. The agreement requires the transfer of a 5% stake in one of the four trains of the LNG project to Sinopec. Qatar's North Field East expansion project is anticipated to raise the country's annual LNG export volume from 77 million tons per year to 110 million tons per year.

Kuwait

Total projects awarded in Kuwait during Q1-2023 reached USD 1.8 Bn vs. USD 407 Mn in Q1-2022. Aggregate value of contracts awarded reached their second highest mark in ten quarters during Q1-2023, driven by infrastructure investment which has become one of the key pillars in Kuwait's Vision 2035 plan. Currently, Kuwait has a strong pipeline of infrastructure projects estimated to worth up to USD 27.6 Bn, according to a report by KPMG. The Kuwaiti government is expected to spend more on projects during 2023 encouraged partly by its USD 16.5 Bn budget surplus in the previous year led by strong oil prices. According to reports, Kuwait's Construction Sector is set to expand 7% to nearly USD 65. Bn during 2023.

In terms of sectors, Kuwait's Power sector received the majority of the value of contracts awarded in the country during the quarter at USD 719.0 Mn up from USD 90.0 Mn in Q1-2022. Comparatively, aggregate projects awarded in the Construction Sector, the third largest sector by value of contracts awarded during Q1-2023 jumped over 3.3 times to reach USD 346 Mn up USD 80.0 Mn in Q1-2022.

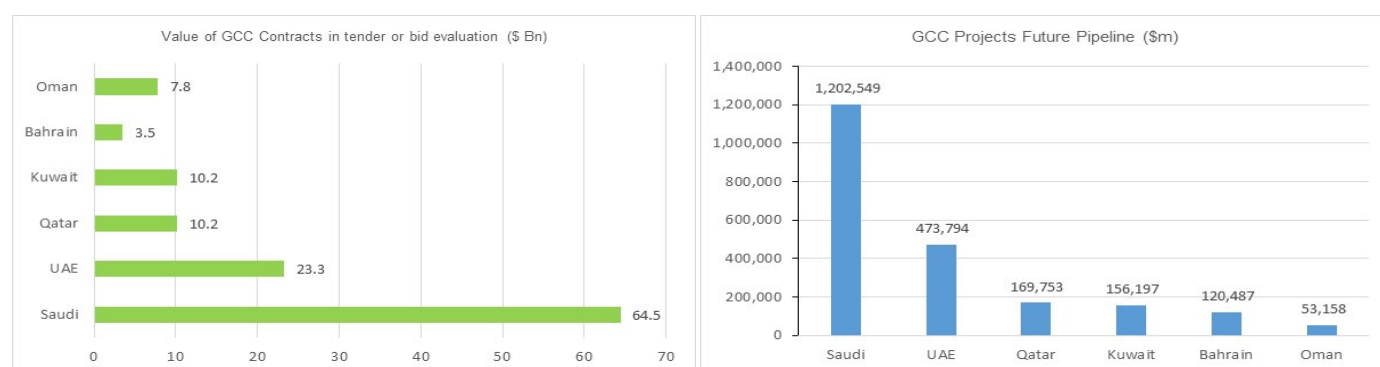
GCC Top Planned Projects in 2023	Country	Net Project Value (\$m)	Client
North Field South Development: two LNG Trains	Qatar	6,000.0	Qatargas
Al-Marjan Multipurpose Integrated Resort	UAE	2,500.0	Marj/Rak Hospitality/Wynn Resorts
Mirfa Seawater Treatment Plant	UAE	2,500.0	Adnoc
Upgrade of Sewage Treatment Plants: 5 Packages	Saudi Arabia	2,150.0	National Water Company
1,800MW Qassim IPP	Saudi Arabia	2,000.0	Saudi Power Procurement Co
1,800MW Taiba IPP	Saudi Arabia	2,000.0	Saudi Power Procurement Co
Tail Gas Treatment Desulphurisation Project	Saudi Arabia	2,000.0	Saudi Aramco
Amiral Complex: Derivatives Unit: Package 2	Saudi Arabia	1,900.0	Satorp
Waad Al Shamai Phosphate City: DAP Package 1	Saudi Arabia	1,500.0	Maaden/Mosaic/Sabic
Umm Shaif Gas Cap Condensate Development: Phase 1	UAE	1,500.0	Adnoc/Total/PetroChina/Eni

Sources : MEED Projects, Kamco Invest Research

The growth in projects awarded for the Construction Sector was accompanied by a similar growth in the aggregate value of projects awarded in the Transport sector, which jumped by 93% y-o-y to reach USD 423 Mn up from USD 219 Mn in Q1-2022. On the other hand, according to MEED Projects there has been a total of USD 201 Mn worth of projects in the Oil sector in Q1-2023. In the Oil Sector, the Kuwait-based Engineering Industries and Ship Building Company (Heisco) has been awarded USD 223 Mn contract from state-owned upstream operator Kuwait Oil Company (KOC) to construct flowlines and associated works in the Kuwait's western region.

GCC Project Pipeline

According to MEED Projects, GCC projects could reach an aggregate of USD 110 Bn in 2023 sustained by elevated oil prices and high energy demand around the world. All GCC countries are expected to see growth in contract awards with the possible exception of Qatar which may see dip in contract awards during the year. In terms of sectors, GCC's Construction Sector is expected to take the lion's share (58%) of project awards in the region during 2023. Saudi Arabia and the UAE Construction Sector has an estimated USD 1.36 Bn worth of projects underdevelopment in 2023 according to real estate experts CBRE. On the other hand, the total value of real estate projects which are currently planned or under construction in the GCC region reach at an estimated USD 1.36 Tr.



Sources : MEED Projects, Kamco Invest Research

However, new project awards in the Water, Petrochemical and Power sectors are expected to perform very well during the year. In terms of planned contracts during the year, Qatar's North Field South development project for two LNG trains clinches the top spot in terms of estimated value with USD 6 Bn followed by UAE's Al Marjan multipurpose integrated resort which has an estimated value of USD 2.5 Bn. Of the ten top valued projects planned for the year, six are expected to be awarded in Saudi Arabia, three in the UAE and one in Qatar.

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