

## GCC Projects Market Update

April-2024

### Robust growth in project awards despite ongoing challenges...

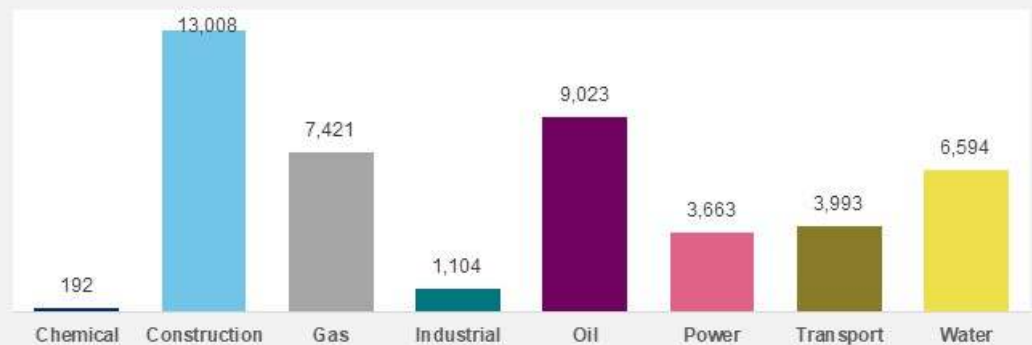
Defying regional and global geopolitical challenges, GCC project awards increased by 20.3% y-o-y during Q1-2024 to reach USD 45.0 Bn as compared to USD 37.4 Bn during Q1-2023. The trend also defies oil production cutbacks which have all weighed on economic growth in the region as seen from IMF's latest forecast that slashed GCC economic growth forecast for 2024 to 2.4% from its previous forecast of 3.7%. The consistent elevated trend in GCC contract awards underlines the entrenched resolve of GCC governments to see through their diversification projects, as well as state funding support.

Growth in GCC contract awards was evenly distributed during Q1-2024 as three out of the six countries in the GCC recorded y-o-y growth in their project's awards, including two of the largest projects markets in the region, Saudi Arabia and Qatar, while the remaining three countries witnessed declines. Saudi Arabia alone comprised more than half of the contracts awarded in the GCC region during Q1-2024 with aggregate awards of USD 23.5 Bn in Q1-2024 against USD 19.1 Bn in Q1-2023 shrugging off underwhelming GDP growth projections by the IMF and continuing its strong non-oil growth rate run.

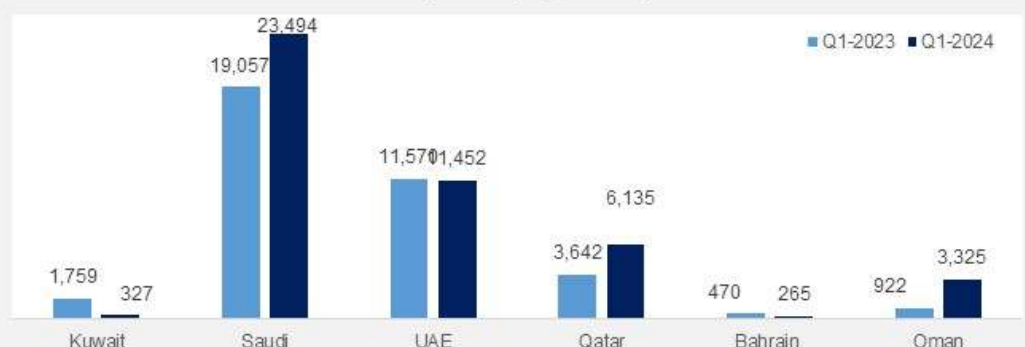
Comparatively, total contracts awarded in the UAE witnessed a marginal dip of 1% y-o-y to reach USD 11.5 Bn during Q1-2024 as compared to USD 11.6 Bn in Q1-2023. On the other hand, aggregate value of contracts for Qatar jumped 68.5% y-o-y during Q1-2024 to reach USD 6.1 Bn against USD 3.6 Bn in Q1-2023.

In terms of sectors, Q1-2024 witnessed a jump in the value of projects awarded in the Gas and Oil sectors. Total GCC Gas Sector contracts awarded during the quarterumped more than 19 times to reach USD 7.4 Bn as compared to USD 382 Mn during Q1-2023. On the other hand, the total value of contracts awarded in the GCC Oil Sector increased nearly seven times to reach USD 9.0 Bn during the similar period, making the sector the biggest contributor in terms of absolute growth in value of contracts awarded in the GCC region during the quarter.

Value of GCC Contract Awards (USD Mn) by Industry - Q1-2024



Value of GCC Contract Awards (USD Mn) by Country - Q1-2024 Vs Q1-2023



Sources : MEED Projects, Kamco Invest Research

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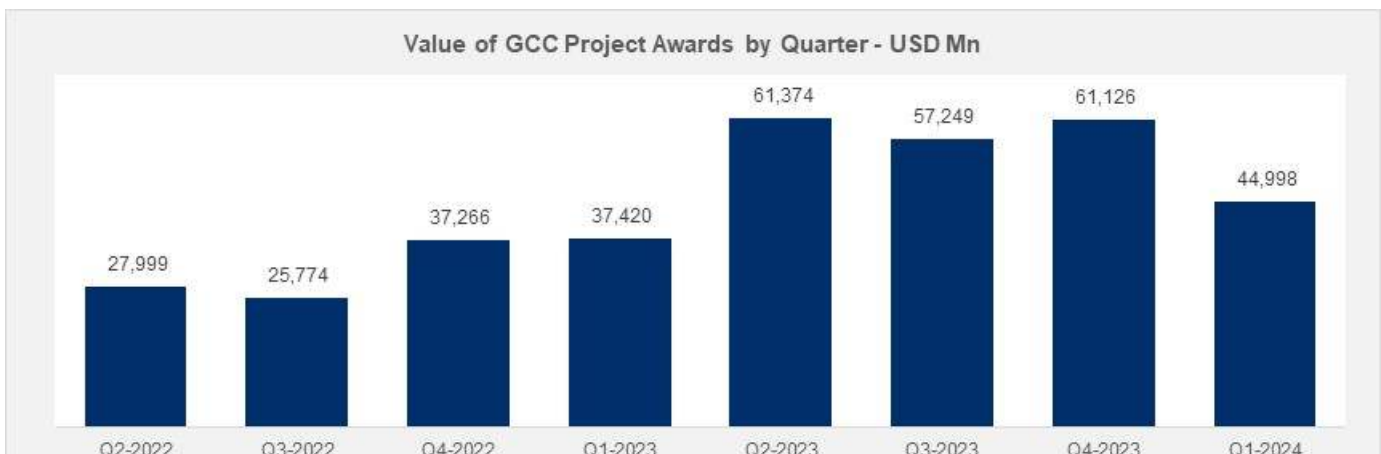
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## Saudi Arabia

After being aggressive on all fronts of project development, recent reports have shown a change in strategy for Saudi Arabia wherein the Kingdom is expected to have a more focused approach. This includes a report which shows Saudi Arabia prioritizing projects instead of all round development beginning with the completion of modules at the marina in The Line at Neom project. Also, on the funding front, there will also be external funding including debt issuance by various parties involved in the project. This includes the recent roadshow by Neom for Chinese investors detailing plans for a futuristic ski resort and 170-kilometre-long skyscrapers. A Bloomberg report also showed curtailed plans for The Line project by 2030, although overall objectives of the project have been achieved so far. Monthly project awards data for Saudi giga projects showed a decline during March, according to MEED. Total value of contract awards declined to USD 271.0 Mn in March-2024 from USD 509.0 Mn in February-2024 and USD 5.6 Bn in January-2024. The total value of projects awarded since launch reached USD 57.0 Bn, according to MEED.

The Kingdom represented over 52.2% of total GCC projects awarded during Q1-2024 that reached USD 23.5 Bn. The Kingdom achieved this feat despite recording a y-o-y dip in aggregate projects awarded in the Construction, Transport and Chemical Sectors. The growth was mainly attributed to the Kingdom's Gas Sector which witnessed its total value of contract awards jump from USD 40 Mn in Q1-2023 to USD 6.2 Bn in Q1-2024. Similarly, the total value of projects awarded in Saudi Arabia's Water Sector during Q1-2024 improved by 170.1% y-o-y to reach USD 6.3 Bn supporting the overall growth in the Kingdoms total contract awards during the quarter.



Sources : MEED Projects, Kamco Invest Research

One of the key elements supporting the growth in the Kingdoms total value of projects awarded during the quarter was the acceleration of Vision 2030 tempo in terms of contract awards as the Kingdom pushes its initiatives at a faster pace.

There have been some notable project awards during Q1-2024 in Saudi Arabia. One of the largest contracts awarded in the Kingdom during the quarter has been the USD 1.8 Bn project for the Construction of Jeddah Central Stadium by Jeddah Central Development Company that was awarded to USD Beijing-headquartered China Railway Construction Corporation. So far, the Kingdom's Jeddah Central Development Company has awarded four projects during the quarter estimated to be worth up to a combined value of USD 3.2 Bn.

## UAE

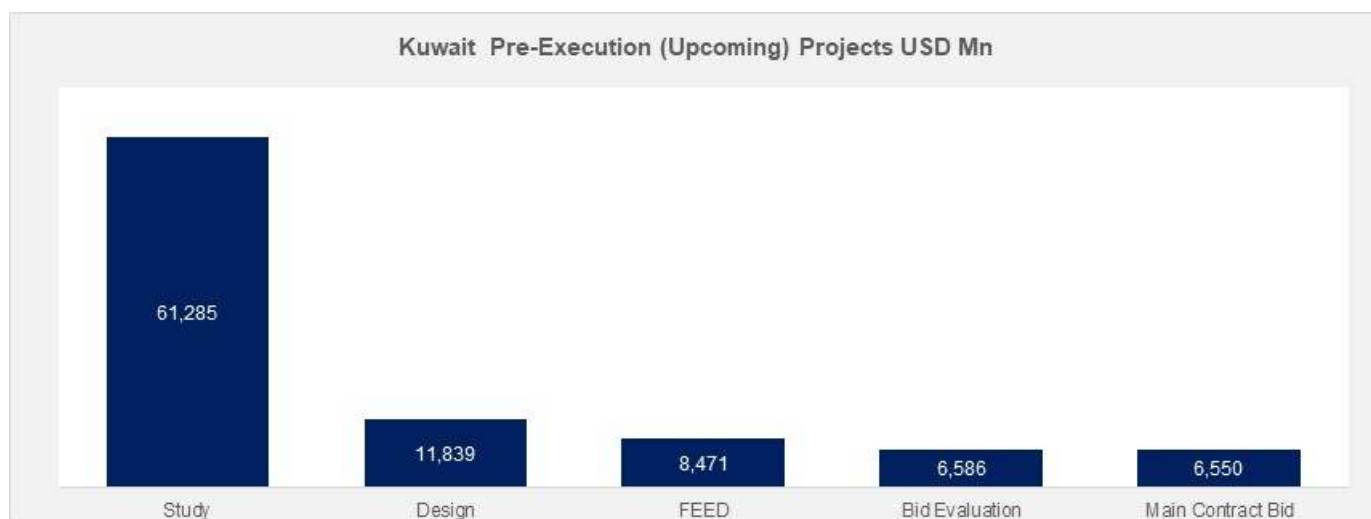
Total value of projects awarded in the UAE dipped marginally by 1% y-o-y during Q1-2024 to reach USD 11.5 Bn as compared to USD 11.6 Bn in Q1-2023. The Emirates' projects market maintained its spot as the second biggest projects market in the GCC during the quarter despite the decrease in its share of total GCC projects awarded from 30.9% in Q1-2023 to 25.5% in Q1-2024. Currently the UAE has the second highest expected economic growth rate among the GCC countries for 2024 at 3.5% with expectation to maintain its current course shrugging off the global economic uncertainty and the impact of ongoing conflicts in the wider MENA region. The Emirates non-oil economic sector which has contributed around 70% of the growth during 2023 is expected to further improve in 2025. Furthermore, Abu Dhabi Executive Council has approved the launch of 144 projects across the emirate which are estimated to be worth around USD 18 Bn. The lions share of the fund or over USD 16 Bn of the earmarked USD 18 Bn has been approved for the development of housing schemes and public facilities while USD 1.9 Bn has been earmarked for education and human capital related projects.

In terms of sectors, the Construction Sector once again comprised the biggest pie of new project awards in the UAE representing 52.2% of total projects in the UAE during Q1-2024 which reached USD 6.0 Bn as compared to USD 8.4 Bn awarded in Q1-2023 recording 28.9% y-o-y decline. However, the Industrial and Oil Sector were the biggest two sectors that received most of the growth in contract awards during Q1-2024. Aggregate value of projects in the Oil Sector jumped over seventeen times to reach USD 3.2 Bn in Q1-2024 as compared to USD 190 Mn in Q1-2023. Similarly, the total value of projects awarded in the Power Sector jumped over 12 times to reach USD 1.1 Bn during Q1-2024 as compared to USD 86 Mn.

One of the most notable projects awarded in the UAE during the quarter was the USD 820 Mn Saadiyat Lagoons project. Aldar Properties awarded the project to Innovo Build, a local contractor, according to MEED.com. The scale of the project includes the construction of around 975 villas as part of package three of the development.

## Kuwait

Contract awards in Kuwait have been underwhelming during the first quarter of this year. According to MEED Projects, total projects awarded reached USD 327 Mn during Q1-2024 as compared to USD 1.8 Bn in Q1-2023. Despite the lackluster performance during the first three months of the year, contractors are currently preparing to bid for big-ticket projects, especially in the oil sector. According to MEED.com, seven companies have bought tender documents for the planned fuel depot project in Al Mutlaa region of Kuwait. The project which is being awarded by the state-owned downstream operator Kuwait National Petroleum Company (KNPC) is valued at USD 850 Mn.



Sources : MEED Projects, Kamco Invest Research

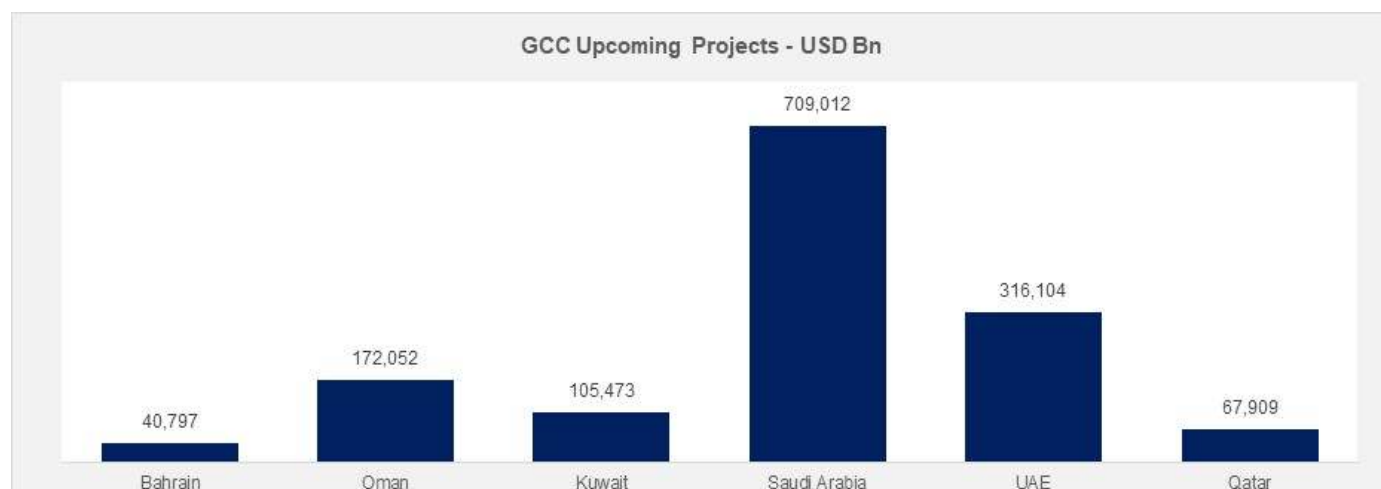
One of the notable contracts that were awarded during Q1-2024 is the USD 100 Mn design contract to upgrade the Mina Al Ahmadi Refinery. The contract entails a project to overhaul an acid gas removal plant in the Mina Al Ahmadi Refinery and its scope includes consultancy work. Currently, MEED Projects estimates the value of upcoming projects for Kuwait to be around USD 105.5 Bn of which 58.1% are in the study stage while 11.2% are in the design stage. In terms of sector proportion of upcoming projects, the Power Sector is expected to receive 27.2% or USD 28.7 Bn topping the list as the largest sector in terms of upcoming contracts in the country followed by the Transport Sector with USD 27.6 Bn worth of upcoming contracts in the pipeline.

## Qatar

Total value of contracts awarded in Qatar increased by 68.5% y-o-y to reach USD 6.1 Bn during Q1-2024 as compared to USD 3.6 Bn in Q1-2023, according to data gathered by MEED Projects. The growth in contract awards was primarily due to the jump in value of projects awarded in Qatar's Oil Sector during Q1-2024 which represented 80.5% of the total contracts awarded in the country during the year. The total value of Oil Sector projects awarded jumped from no contracts awarded in Q1-2023 to USD 4.9 Bn during Q1-2024 reflecting the USD 6 Bn EPC contract to increase oil production from Al Shaheen offshore oil field by about 100 tb/d. The project is the third capacity expansion of the Al Shaheen oil field. The Al Shaheen oil field, which is estimated to have a 300 tb/d production potential has been undergoing capacity expansion works for over six years. Total value of contracts awarded in Qatar's Construction Sector increased by 347.4% to reach USD 519 Mn against USD 116 Mn in Q1-2023. Similarly, aggregate value of contracts awarded in the Power Sector improved 49.1% to reach USD 489 Mn during the similar period.

## GCC Projects Market Outlook

According to MEED Projects, the GCC project market index for upcoming contracts as of April-2024 reached USD 1.4 Trillion. Saudi Arabia comprised the lions share of upcoming GCC projects (50.2% or USD 709 Bn) followed by the UAE which has USD 316.1 Bn and Oman with estimated upcoming projects at USD 172.1 Bn. In terms of sector representation, the Construction Sector comprised the largest sector, 33.5% or USD 462.4 Bn, of upcoming projects in the GCC followed by the Transport Sector which comprised 20.5% or USD 283 Bn of upcoming projects in the region. Comparatively, the total value of GCC project market index for ongoing projects as of April-2024 stood at USD 1.3 Trillion of which Saudi Arabia comprised 54.4% (USD 683.3 Bn) followed by the UAE and Kuwait each representing 30.9% AND 5.9% respectively.



Sources : MEED Projects, Kamco Invest Research

According to MEED Projects, the total value of ongoing projects currently in Kuwait reached USD 49.2 Bn as of April-2024 of which 65% were in the Construction Sector, 13.9% in the Transport Sector and 13.1% in the Power Sector. In terms of sectoral representation, 68.6% or USD 479.4 Bn of the currently ongoing GCC projects were classified as Construction Sector contracts followed by the Transport Sector which received 11.8% or USD 82.7 Bn of the current and ongoing projects in the GCC.

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