

GCC Projects Market Update

July-2023

Q2-2023 project awards jump over 86% led by Gas sector...

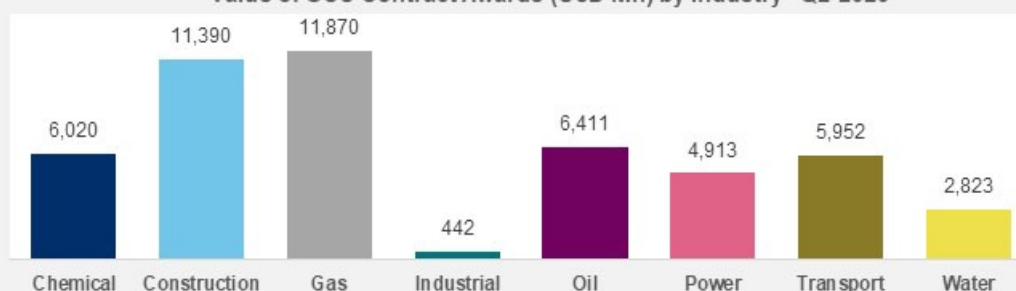
GCC project awards surged 86% during Q2-2023 to reach USD 49.7 Bn as compared to USD 26.7 Bn in awards during Q2-2022 underlining the determination of the GCC countries to execute and reach their diversification targets. The strong rise in the total value of project awards in the GCC is also a significant indicator of the health of the economies in the GCC region. This was the highest quarterly project awards value for over five years. All GCC project markets witnessed y-o-y growth during Q2-2023 except for Bahrain which remains the smallest project market in the region while Saudi Arabia remained the largest projects market in the GCC during Q2-2023. Saudi Arabia's project awards recorded 33.7% growth during the quarter to reach USD 24.4 Bn as compared with USD 18.3 Bn in Q2-2022. Comparatively, the UAE project awards jumped 127% to reach USD 12.2 Bn during the quarter. Contract awards in Kuwait increased from USD 922 Mn in Q2-2022 to USD 1.3 Bn during Q2-2023, the second-highest project value in the last six quarters.

Saudi Arabia alone accounted over 49.1% of the contracts awarded in the GCC region during Q2-2023, while Saudi Arabia, UAE and Qatar combined represented 94.4% of the overall projects in the GCC. Saudi Arabia's growth in contracts during the quarter was mainly fueled by the continuous uptick of the number of Neom projects awarded during the quarter. According to MEED Business Review, the Neom project awards in 2023 stood at USD 13.6 Bn which surpassed the total value of contracts awarded in the Saudi capital Riyadh and Dubai which reached USD 11 Bn and USD 9.3 Bn respectively. The four major elements of the Neom project (the Line, Trojena, Oxagon and Sindalah) have already been launched and are already under construction.

Total value of contracts awarded in the Sultanate of Oman increased by 69.7% to reach USD 1.5 Bn as compared to USD 871 Mn in Q2-2022 driven mainly y-o-y growth in the Sultanate's Power and Gas sectors which reached USD 475 Mn and USD 728 Mn, respectively. Oman's projects market is expected to witness significant growth during 2023. According to MEED Projects, Oman is expected to sign a USD 6.7 Bn hydrogen contract with a consortium led by the South Korean steel manufacturer Posco.

In terms of sector classification, the Gas Sector witnessed the biggest increase in the value of projects awarded during the year recording USD 10.3 Bn y-o-y increase in new contract awards to reach a total of USD 11.9 Bn during Q2-2023.

Value of GCC Contract Awards (USD Mn) by Industry - Q2-2023



Value of GCC Contract Awards (USD Mn) by Country - Q2-2023 Vs Q2-2022



Sources : MEED Projects, Kamco Invest Research

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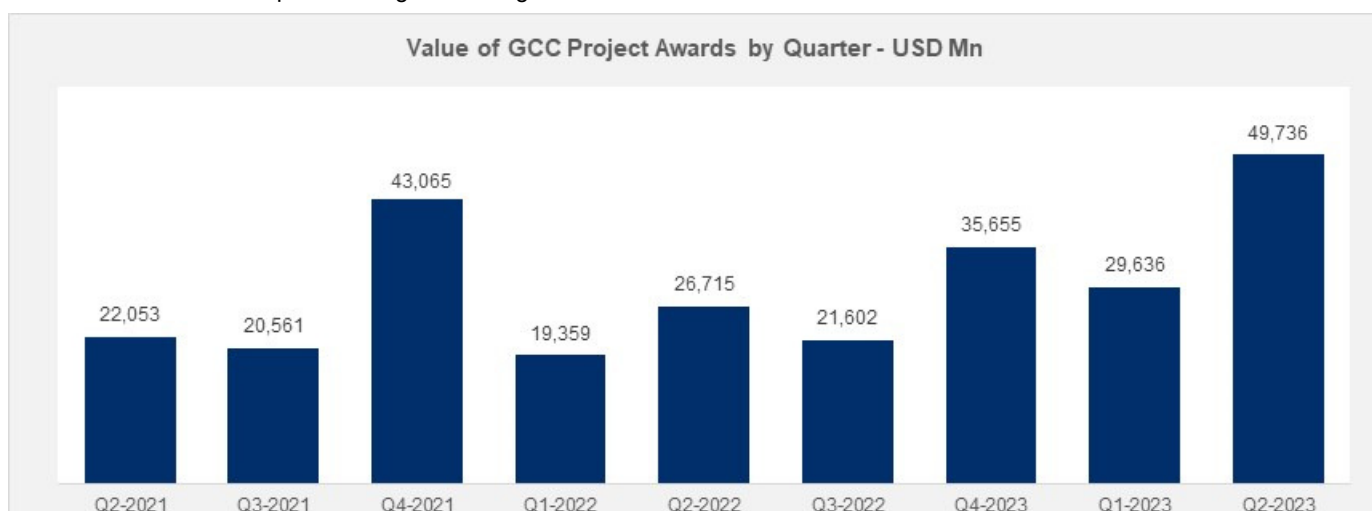
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Saudi Arabia

Saudi Arabia represented nearly half of the contracts awarded in the GCC region during Q2-2023. The determination of the Saudi government to reach its 2030 Vision goals and the fiscal cushion given by elevated oil prices have enabled the Kingdom to increase the value of contracts awarded in the Kingdom during Q2-2023. Growth in the Kingdom's project awards during the quarter was supported by the increase in expected capital expenditure of Aramco in 2023. Aramco expects its 2023 capital expenditure to reach between USD 45 Bn to USD 55 Bn as compared to USD 37.6 Bn last year. The company's capital expenditure has already witnessed 15% y-o-y growth in Q1-2023 to reach USD 8.74 Bn.

In terms of sectors, the Chemical sector overtook the Construction sector as the largest sector by value of awarded projects in the Kingdom accounting for 24.7% (USD 6.0 Bn) of awards in Saudi Arabia during Q2-2023. The Transport sector followed the Chemical sector as the second largest sector by value of contracts awarded at USD 5.0 Bn. According to the MEED Projects regional tracker, there could be up to USD 16.2 Bn of contract awards in the Chemical sector in 2023. Moreover, there are about 22 chemical projects in the Kingdom which are in the pre-execution phase which could be awarded this year. One of the biggest Saudi chemical projects that could be awarded during this year is a project to increase the capacity of phosphate production by Saudi Arabian Mining Company (Maadeen) in its Waad al-Shamal Phosphate City diammonium phosphate plant. The project is valued at an estimated USD 2 Bn.

Another major Chemical project that is currently in the pipeline this year in the Kingdom is the USD 1.3 Bn EV Metals lithium plant. EV Metals, an Australian-based battery company, is establishing an integrated battery chemicals complex at Yanbu Industrial City in Saudi Arabia. The complex is expected to house a lithium chemicals plant, a nickel chemicals plant and a cathode active materials plant among other things.



Sources : MEED Projects, Kamco Invest Research

Saudi Arabia's Construction Sector fell into the fifth spot in terms of value of contracts awarded despite gaining momentum in Q2 -2023 due to the Kingdom's ongoing economic diversification schemes spearheaded by Giga projects and ARAMCO awards. The value of contracts awarded in the Kingdom's Construction sector remained the same y-o-y at USD 3.3 Bn during Q2-2023, as compared to USD 3.3 Bn in Q2-2022. Another notable big construction project that has been awarded in the Kingdom during the quarter is Neom's USD 2 Bn Connector South contract which will link Oxagon with the Line at Neom. The project involves the construction of a 75 KM railway line, including earthwork, fourteen viaducts, 7 roads, 9 rail underpasses, a freight line and 152 culverts among other things.

UAE

The UAE projects market maintained its spot as the second biggest projects market in the GCC during Q2-2023 with total value of contracts that reached USD 12.2 Bn. The UAE representation of the GCC contracts awarded increased from 20.1% in Q2-2022 to 24.5% in Q2-2023. The Emirate's projects market was mainly driven by a combination of factors that included resilient economic growth which allowed the Emirate to stay on course and award pre-planned contracts.

In terms of sectors, the Construction Sector once again accounted for the biggest pie of new project awards in the UAE representing 61.9% of total projects in the UAE during Q2-2023 which reached USD 7.6 Bn as compared to USD 3.9 Bn which were awarded in Q2-2022. The growth was led by government initiatives such as the recent contract to build Abu Dhabi villa projects. Abu Dhabi's Q Holding has awarded Trojan General Contracting, a local UAE company, the contract to design and build its residential projects in West Baniyas and Al-Samha. The project which is valued at AED 7 Bn (USD 1.9 Bn) was awarded by Abu Dhabi Housing Authority to Q Holding in May-2023. The project includes 1,500 villas and the essential infrastructure works and public facilities and is expected to be completed by the second quarter of 2027. Another significant government project that has been approved but yet un-awarded during Q2-2023 was the USD 21 Bn long-term sewerage PPP by Dubai.

This project which aligns with the Dubai Economic Agenda D33 is expected to serve the needs of the city's population for the next ten decades.

Total value of projects awarded in the Oil Sector jumped over seven times to reach USD 2.6 Bn as compared to USD 319 Mn in Q2-2022 marking the sector as the second largest in terms of value of contracts awarded. The sector's jump in total projects awarded was mainly due to a flurry of major contracts awarded and won by Abu Dhabi's National Oil Company. One such major project is the USD 1.34 Bn EPC contract to upgrade Adnoc Gas's sale gas pipeline network across the UAE also known as Estidama. Adnoc Gas awarded the contract to UK-headquartered Petrofac the EPC contract for package 2 of the project estimated be worth upto USD 720 Mn; and package 3 of the project valued at USD 630 Mn to a consortium consisting of Abu Dhabi's National Petroleum Construction Company (NPCC) and the Lebanon-headquartered CAT Group. Moreover, the newly listed Adnoc Logistics & Services has won a USD 975 Mn engineering, procurement, and construction (EPC) project to construct an artificial island at the offshore Lower Zakum hydrocarbon from its sister company Adnoc Offshore.

Qatar

Total value of contracts awarded in Qatar jumped 8.3 times y-o-y to reach USD 10.4 Bn as compared to USD 1.1 Bn in Q2-2022 according to data gathered by MEED Projects. The growth in contract awards was mainly due to the performance of the country's Gas Sector which represented nearly 97% of total value of projects awarded during the quarter. Total values of Gas Sector projects awarded jumped nearly 16 times to reach USD 10 Bn during Q2-2023 up from USD 600 Mn in Q2-2022. Moreover, the steep growth of total values of projects awarded in the country was mainly due to one megaproject awarded by QatarEnergy. The state-owned energy company has awarded a USD 10 Bn EPC contract for the Northfield South (NFS) megaproject to a joint venture of Technip Energies and Consolidated Contractors Company (CCC). Qatar's North Field South (NFS) project is the second phase expansion of Qatar's North Field project which remains the world's largest single non-associated gas field and comprises of two LNG mega trains with a combined capacity of 16 million tons per annum. The EPC contract's scope is extensive and includes the construction of two LNG trains with estimated capacity of 8 million each. The project also includes the construction of carbon capture and sequestration facilities.

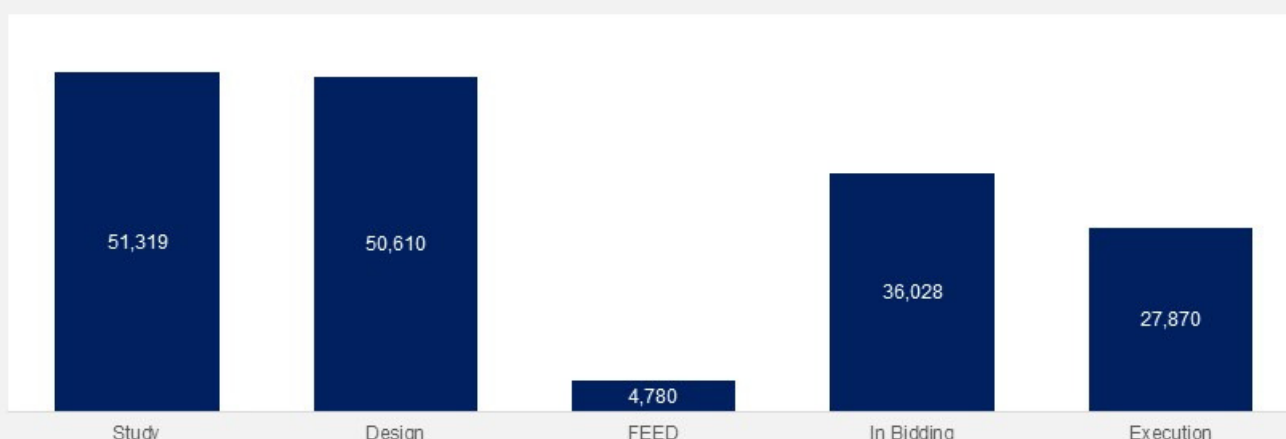
Kuwait

Total projects awarded in Kuwait during Q2-2023 reached USD 1.3 Bn vs. USD 922 Mn in Q2-2022. Aggregate value of contracts awarded reached their second highest mark in six quarters during Q2-2023, driven by infrastructure investment which has become one of the key pillars in Kuwait's Vision 2035 plan. According to MEED Projects, Kuwait is gearing up for a good year of project awards as the country's total value of deals awarded during 1H-2023 (USD 2.9 Bn) has already surpassed the total value of contracts awarded in FY-2022 which reached USD 2.4 Bn. According to MEED Projects, the Kuwait Public Authority for Housing Welfare (PAHW) is the largest single client of projects in the country and has an estimated USD 22.8 Bn worth of projects currently underway.

In terms of sector performance, Kuwait's Power Sector recorded USD 644 Mn of projects during Q2-2023 as compared to USD 48 Mn during the similar period of the previous year. In other words, the Power Sector represented approximately 50.9% of the total projects awarded in the country during quarter. Kuwait's Transportation Sector followed as the second largest sector in terms of contracts awarded during the quarter with USD 335 Mn down from USD 773 Mn in Q2-2022. Comparatively, total value of deals awarded in the Construction Sector only edged up 6% to reach USD 95 Mn in Q2-2023 against USD 90 Mn in Q2-2022.

One of the notable deals awarded in Kuwait during Q2-2023 was the USD 297 Mn contract to retrofit the main thermal power generation plant at the Subiya power complex in Kuwait which has been awarded to Heisco and Mitsubishi Power. The project includes the development of eight steam turbines and electronic generators with reachable capacity of 2,400 MW at the time of completion.

Kuwait Projects Market By Status- USD Bn



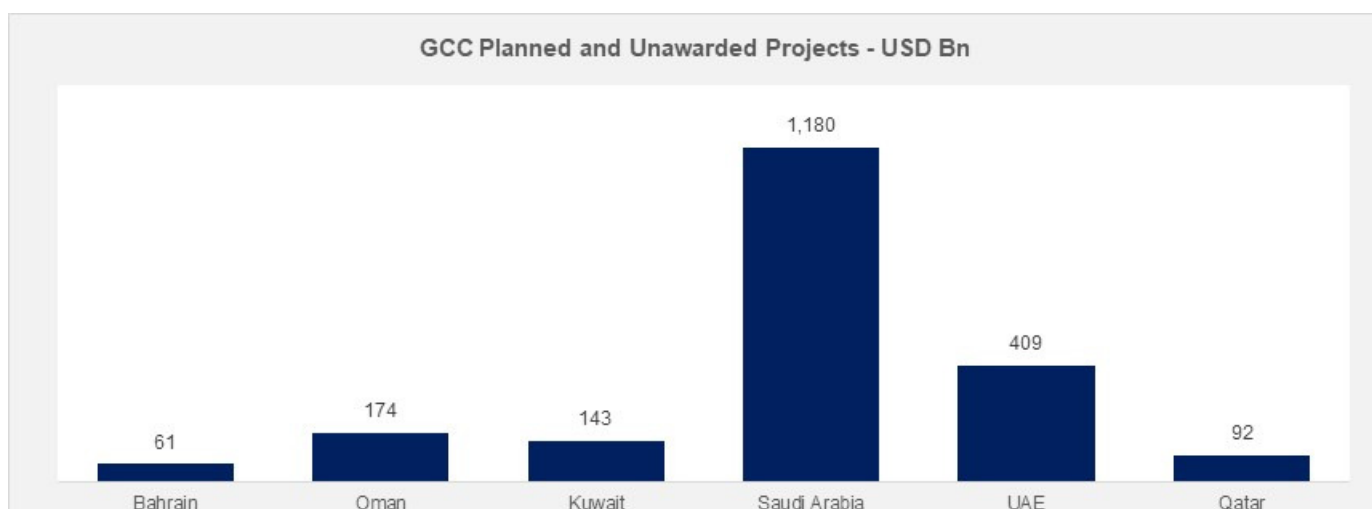
Sources : MEED Projects, Kamco Invest Research

GCC Projects Market Outlook

According to MEED Projects, total GCC contracts that are in tender or most likely to be awarded this year are expected to surpass USD 110 Bn in 2023 led by Saudi Arabia, Qatar and UAE project markets which are poised to witness significant growth each this year. Moreover, Kuwait and Oman are also expected to witness sharper increases in value of contract awards during 2023.

The GCC projects market is expected to be resilient to global economic headwinds. The IMF lowered its 2023 Saudi GDP forecast to 2.1% due to the oil cuts by OPEC+ countries and allies. However, the reduction of economic forecast and the oil production cut is expected to have minimal impact on the Kingdom's project market and capital spending due to the availability of other revenue sources such as sovereign and private assets. Saudi Arabia remains the largest projects market both in the GCC and in the MENA region. Saudi Arabia's project awarded averaged around USD 42.5 Bn in the past five years.

In terms of un-awarded and planned projects, Saudi Arabia has the largest planned and unawarded projects in the MENA region estimated to USD 1.18 Trillion of which a total USD 836.7 Bn is the Construction Sector while USD 117.7 Bn is in the Power Sector. Similarly, In the UAE there are USD 409.2 Bn planned and unawarded projects of which USD 228.7 Bn is in the Construction Sector, USD 91.7 Bn is in the Oil & Gas Sectors and USD 41.6 Bn is in the Transportation Sector. Moreover, MEED Projects estimates the pipeline of un-awarded and planned projects in Kuwait to USD 142.7 Bn of which USD 44.3 Bn (31%) is in the Construction sector, USD 37.5 Bn (26%) is the Transport sector while USD 35 Bn (25%) is in the Power sector.



Sources : MEED Projects, Kamco Invest Research

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