

## GCC Projects Market Update

July-2024

### ***GCC project awards decline mainly led by a slump in Qatar and UAE...***

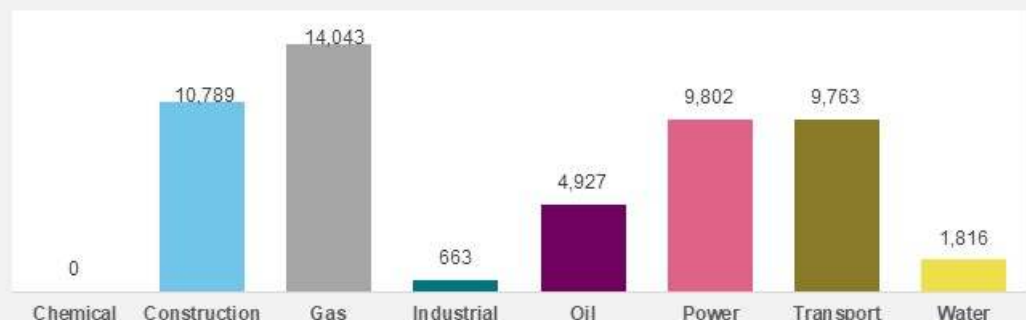
Total project awards in the GCC witnessed a drop during Q2-2024 mainly due to the unprecedented slump of project awards in Qatar coupled with steep fall in awards in the UAE. Aggregate GCC project awards declined by 19.7% to USD 51.7 Bn during Q2-2024 as compared to USD 64.3 Bn during Q2-2023. GCC contract awards was evenly distributed during Q2-2024 as three out of the six countries in the GCC registered y-o-y growth in their project awards while the remaining three markets witnessed y-o-y declines during the quarter.

Despite continuing lower oil output, contracts awarded by Saudi Arabia during Q2-2024 recorded 9.9% increase to reach USD 30.6 Bn as compared to USD 27.8 Bn during Q2-2023. One of the main drivers of project activity growth in the Kingdom during the quarter is the acceleration of Neom projects as the Kingdom maintains its focus on delivering the 2030 Vision program on time. In its latest Regional Economic Outlook, the IMF has revised down real GDP growth of all the six GCC member states citing regional insecurity and continuing oil production cuts. On the back of this economic environment, it is understandable that GCC contracts awarded in the region retreated y-o-y during the quarter.

Total contracts awarded in the UAE declined by 23.6% y-o-y during Q2-2024 to reach USD 16.3 Bn as compared to USD 21.4 Bn during Q2-2023. On the other hand, aggregate projects awarded in Qatar dropped 98.5% y-o-y during Q2-2024 to reach USD 162 Mn as compared to USD 10.5 Bn in Q2-2023. This steep fall of Qatari contracts awarded has dragged down the aggregate growth of GCC contracts awarded during Q2-2024. It is noteworthy to underline that Qatar has had one of its best years in 2023 in terms of value of contracts awarded as a result of the USD 10 Bn LNG project awarded to develop the North Field South. Aggregate projects awarded in Kuwait jumped 33% y-o-y to reach USD 2.3 Bn up from USD 1.7 Bn in Q2-2023.

In terms of sectors, Q2-2024 witnessed a jump in the value of projects awarded in the Gas, Power and Transport sectors. Total GCC Gas Sector contracts awarded during the quarter jumped 17.3% to reach USD 14.0 Bn as compared to USD 12 Bn during Q2-2023. Moreover, the total value of contracts awarded in the GCC Power and GCC Transport sectors reached USD 9.8 Bn each recording a growth of 9.7% and 27.3% respectively

**Value of GCC Contract Awards (USD Mn) by Industry - Q2-2024**



**Value of GCC Contract Awards (USD Mn) by Country - Q2-2024 Vs Q2-2023**



Sources : MEED Projects, Kamco Invest Research

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## Saudi Arabia

Saudi Arabia continued its policy of accelerating project awards and being aggressive on all fronts of project development as recent reports have shown a pickup in both the value and number of contracts awarded in the Kingdom. The growth is driven by the continuing supply of Vision 2030 related projects as well as Aramco's target to increase its gas production by 60% by 2030 from its 2021 production baseline which has led to a jump in gas related contract awards in the Kingdom. Aramco has recently reported that it is awarding USD 25 Bn worth of contracts in the gas sector for its major gas expansion programs.

Saudi Arabia awarded USD 30.6 Bn value worth of contracts during Q2-2024 recording a 9% y-o-y growth and representing nearly 60% of the total projects awarded in the GCC during the quarter. The y-o-y increase in project awards was mainly driven by a jump in the Gas Sector which increased from USD 10 Mn in Q2-2023 to USD 8.5 Bn in Q2-2024. Moreover, contracts awarded in the Kingdom's Power Sector also improved y-o-y during the quarter reaching USD 8.5 Bn in Q4-2024 as compared to USD 6.8 Bn in Q2-2023. On the other hand, project awards in the Construction Sector witnessed 4.5% y-o-y dip to reach USD 5.0 Bn while projects awarded in the Transport sector recorded an uptick of 7.5% y-o-y to reach USD 6.1 Bn during the similar period. However, according to RICS construction monitor, the sector is expected to witness an overall yearly growth in 2024 despite facing local market constraints such as scarcity of skilled labor and shortage of top-tier contractors.



Sources : MEED Projects, Kamco Invest Research

There have been some notable project awards during Q2-2024 in Saudi Arabia. One of the largest contracts awarded in the Kingdom during the quarter has been the USD 2 Bn project for the construction of ring roads spanning over 50 KM in Riyadh awarded by Saudi Royal Commission for Riyadh City. The scope of the contract includes the construction works on the second southern ring road phases one and two, stretching over 30km. Another major project awarded in the Kingdom during the quarter was the USD 1.5 Bn contract awarded to Siemens Energy to supply and maintain gas and steam turbines for Taiba 2 and Qassim 2 IPPs. In terms of notable contracts awarded in the Kingdom's top Giga projects during the first half of the year included the USD 1 Bn Oxagon Port Package 1B. The project entails the design and construction infrastructure works including flexible quay for Terminal 1 of the port at the Oxagon industrial city development.

## UAE

Total value of projects awarded in the UAE declined by 23.6% y-o-y to reach USD 16.3 Bn as compared to USD 21.4 Bn in Q2-2023. Despite the fall in the value of contracts awarded during the quarter, the UAE maintained its position as the second largest projects market in the GCC. The Emirates represented 31.6% of the total contracts awarded in the GCC region during Q2-2024.

In terms of sectoral performance, a y-o-y decline in projects awarded in the Construction Sector during Q2-2024 was one of the key factors that weighed down the overall contract awards in the UAE. Total project awards in the Construction Sector recorded 62.9% y-o-y decline to reach USD 4.4 Bn as compared to USD 11.7 Bn during the corresponding period of the past year. In context, the Construction Sector represented 47.1% of the total contracts awarded in Q2-2023 but dropped to 26.6% of the total projects awarded in the UAE in Q2-2024. Moreover, there were no recorded project awards in the Chemical Sector during Q2-2024 while there was USD 3.6 Bn project awards in Q2-2023. Overall, the y-o-y growth of sectoral contract awards was skewed to decliners as six out of eight sectors recorded y-o-y declines during the quarter while the remaining two sectors reported growth. Total project awards for the UAE Gas Sector jumped over 6.5 times y-o-y during Q2-2024 to reach USD 5.6 Bn up from USD 848 Mn in Q2-2023. Similarly, contract awards in the Oil Sector jumped over 5 times y-o-y to reach USD 4.3 Bn up from USD 819 Mn in Q2-2024.

One of the most notable projects awarded in the UAE during the quarter was the USD 5.5 Bn EPC contract for Ruwais LNG project to a consortium of energy companies including Technic Energies, JGC Corporation and NMDC. The contract entails the construction of a new liquified natural gas terminal complex in Ruwais, Abu Dhabi. The terminal is expected to have the capacity to produce about 9.6 million tonnes per year of LNG from two processing trains that each have a capacity of 4.8 million tonnes per year. Another notable project awarded during the quarter is USD 408 Mn construction of Sequoia and Saro the final two phases of the Masaar in the Suyouh district of Sharjah.

## Kuwait

Contract awards in Kuwait was underwhelming during the previous two quarters but saw growth in Q2-2024 with 33% y-o-y increase to reach USD 2.3 Bn during Q2-2024, its second highest quarterly mark since 2020. Moreover, it is only the third time in over 4 years that the total quarterly contracts awarded in Kuwait have surpassed the USD 2 Bn. Growth in project awards in Kuwait is expected to continue for the near term mainly supported by contracts in the energy sector with Kuwait Oil Company prepares to tender USD 3.3 Bn upstream project driven by Kuwait's goal to produce 3.2 million barrels of oil per day as compared to the current production capacity that stands 2.9 million barrels per day.

Kuwait's robust growth in contract awards was primarily driven by a jump in project awards in its Construction and Transport sectors. Total value of project awards in the Construction Sector jumped nearly eight times y-o-y to reach USD 951 Mn in Q2-2024 as compared to USD 123 Mn in Q2-2023. The Construction Sector, which represented 39.2% of the total contracts awarded in the country during the quarter has benefited from a significant increase in governmental infrastructure building impetus.



Sources : MEED Projects, Kamco Invest Research

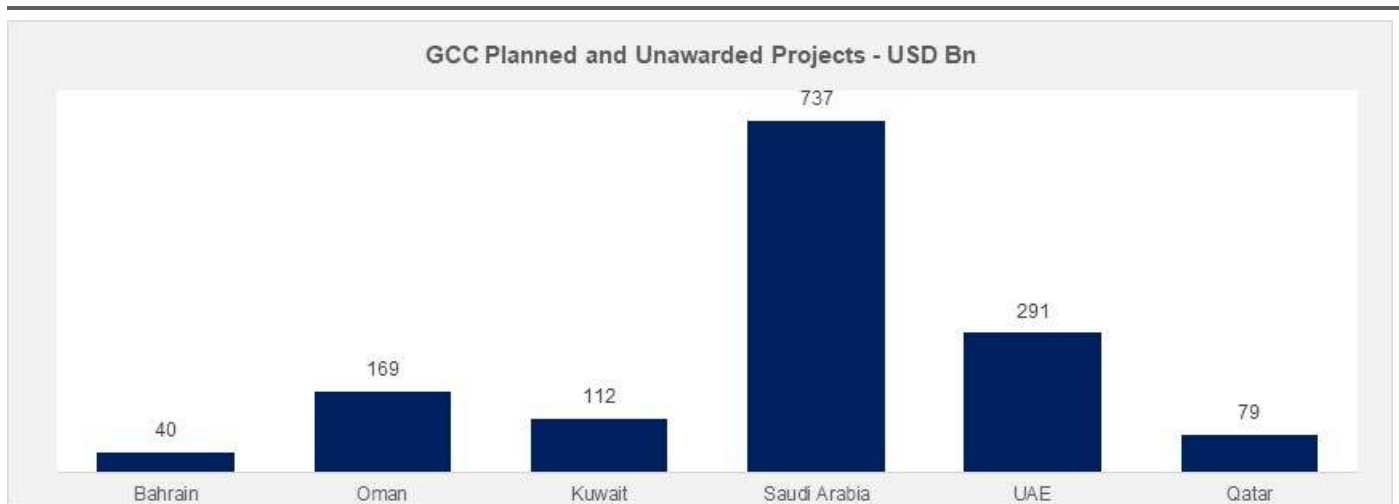
One of the main contracts that have been awarded in the Construction Sector during the quarter has been the USD 343 Mn Kuwait Medical City infrastructure project awarded to the local Kuwaiti contractor Combined Group Contracting. The contract which includes the development and construction of access roads, pavements and installation of streetlights is being undertaken by Wafra Real Estate Company through the Kuwait Medical Company and is expected to take two years to complete. Kuwait's Construction Sector is expected to grow 6.6% in 2024 according to a report by GlobalData supported by government investment in infrastructure and the energy sector. Growth in the sector is expected to continue benefiting from the upcoming investment in the New Kuwait 2035 National Plan in which the government plans to invest over USD 1.1 Bn in the development and construction of several sports projects across Kuwait. The aggregate value of contracts awarded in the Transport Sector during Q2-2024 jumped 235% y-o-y to reach USD 902 Mn up from USD 269 Mn in the corresponding period of 2023. The largest Transport contract awarded during Q2-2024 was the USD 714 Mn Shuwaikh Port Expansion project. The project to expand Kuwait's main commercial port includes the construction of rehabilitation and supportive services buildings as well as the development of smart main entrances and livestock barns among other things.

## GCC Projects Market Outlook

According to MEED Projects, the total value of projects that are planned or in pipeline in the GCC stood at USD 3.5 Trillion as of 2-July-2024. Saudi Arabia comprised the lion's share of ongoing or upcoming GCC projects (54.0% or USD 1.87 trillion) followed by the UAE which has USD 856.9 Bn and Oman with estimated ongoing or upcoming projects at USD 245.5 Bn. However, the picture was different in terms of only upcoming projects in the region excluding ongoing contracts. Total GCC projects in the pipeline (upcoming projects) reached USD 1.43 trillion as of 2-July-2024. Expectedly, Saudi Arabia also dominated the MENA region's projects in the pipeline representing 51.6% (USD 737.2 Mn) followed by the UAE which comprised 20.4% (USD 291.4 Mn).



Sources : MEED Projects, Kamco Invest Research



Sources : MEED Projects, Kamco Invest Research

Total value for upcoming projects for Kuwait reached USD 112.4 Mn during July-2024 comprising 7.9% of the total GCC upcoming projects. In terms of sector representation, the Construction Sector comprised the largest sector, 29.8% or USD 426.4 Bn, of upcoming projects in the GCC followed by the Transport Sector which comprised 20.8% or USD 297.9 Bn of upcoming projects in the region.

Future oil and gas projects are expected to play a significant role in the GCC and MENA regions' future contract awards. According to MEED Projects, currently there are over USD 408 Bn worth of planned and an awarded oil and gas projects in the MENA region of which Saudi Arabia comprises nearly 19% (USD 77 Bn) followed by the UAE at 16.5% (USD 67.4 Bn) and Qatar at 8.7% (USD 35.3 Bn). Two of the top ten largest by value of upcoming oil and gas projects in the MENA region were in the UAE; namely the Upper Zakum full field development project valued at USD 16 Bn and the Upper Zakum full field development : UZ1000 expansion project valued at USD 6.6 Bn.

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