

GCC Projects Market Update

October-2024

GCC project awards decline mainly led by a slump in UAE...

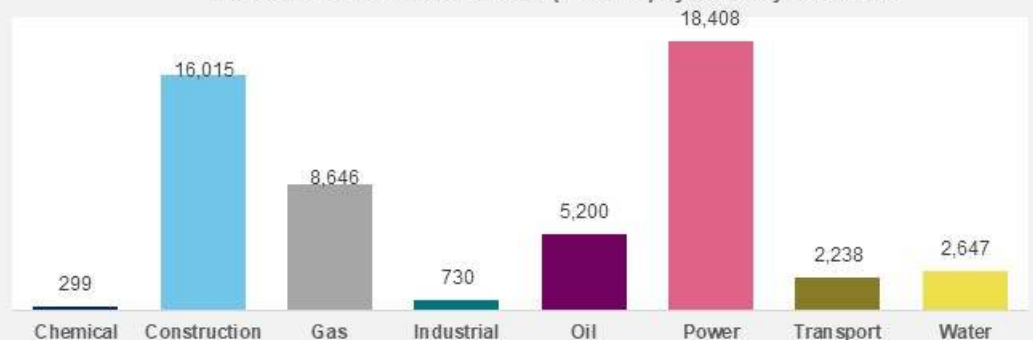
Total project awards in the GCC witnessed a decline during Q3-2024 mainly due to the unprecedented slump in project awards in the UAE coupled with a steep fall in contract awards in Oman. Aggregate GCC project awards declined by 15.4% to USD 54.2 Bn during Q3-2024 as compared to USD 64.0 Bn during Q3-2023. The quarter saw three out of the six countries in the GCC registered a y-o-y growth in their project awards while the remaining three markets witnessed y-o-y declines.

Saudi Arabia recorded 22.7% y-o-y jump in its Q3-2024 total value of contracts awarded which reached USD 35.4 Bn as compared to USD 28.8 Bn in Q3-2023 driven mainly by the continuous award and execution of the Kingdom's economic diversification driven projects as well as recovering economic activity in the Kingdom. This comes against a backdrop of expected decline in economic growth rate in the Kingdom due to lower oil production coupled with relatively low oil prices. Based on government forecast, Saudi Arabia is expected to see a marginal GDP growth of 0.8% this year followed by 4.6% in 2025 backed by higher oil production. In terms of fiscal balance, the fiscal deficit is expected widen to 3% of GDP in 2024 as government increases spending to boost growth and meet the objectives of its Vision 2030 Plan.

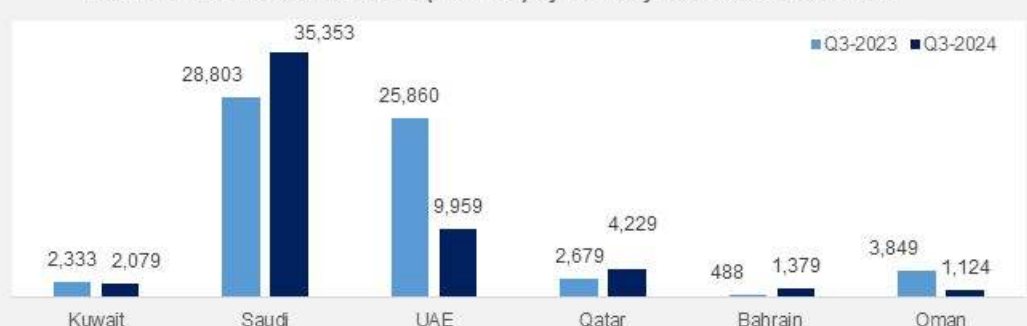
On the other hand, total contracts awarded in the UAE declined by 61.5% y-o-y during Q3-2024 to reach USD 10.0 Bn as compared to USD 25.9 Bn during Q3-2023. Similarly, aggregate projects awarded in Oman dropped 70.8% y-o-y during Q3-2024 to reach USD 1.1 Bn as compared to USD 3.8 Bn in Q3-2023. Meanwhile, Qatar has had a robust 57.9% growth in its y-o-y Q3-2024 projects awarded while Kuwait suffered 10.9% y-o-y drop in contracts awarded during the quarter.

In terms of sectors, Q3-2024 witnessed a jump in the value of projects awarded in only two out of the eight sectors i.e. the Oil and Power sectors. Total GCC Power Sector contracts awarded during the quarter jumped 5.5 times to reach USD 18.4 Bn as compared to USD 3.4 Bn during Q3-2023. Moreover, the total value of contracts awarded in the GCC Oil sector has reached USD 5.2 Bn recording an increase of 86.1%.

Value of GCC Contract Awards (USD Mn) by Industry - Q3-2024



Value of GCC Contract Awards (USD Mn) by Country - Q3-2024 Vs Q3-2023



Sources : MEED Projects, Kamco Invest Research

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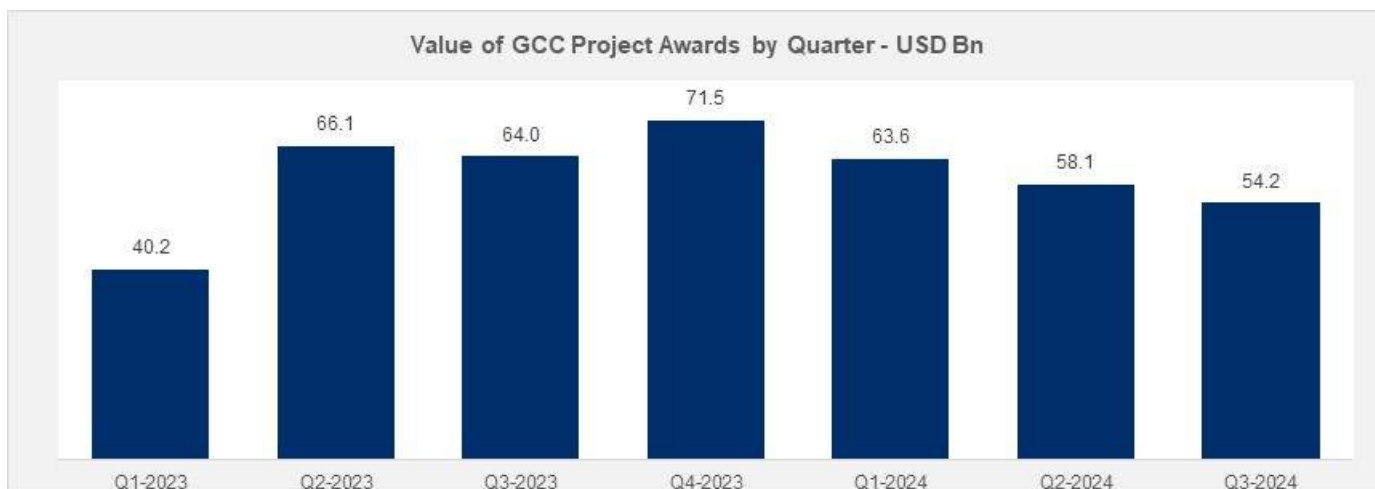
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Saudi Arabia

Despite the impact of oil production cuts which led to an overall 0.8% contraction of Saudi Arabia's economy in 2023 (according to the IMF), the Kingdom maintained its economic diversification efforts in 2024. The Kingdom has recalibrated its plans for investment and spending on projects under the Vision 2030 allowing it to focus on key projects and strategies that underpin the overall Vision 2030. Essential strategies for Vision 2030 include modernizing the country's infrastructure as well as transforming its transport network. Some of the modernizing efforts have been bearing fruit. The Kingdom has won the 2034 bid to host the FIFA World Cup competition marking it as an important milestone and achievement in the Kingdom's quest to raise its leadership position in global sport.

Saudi Arabia awarded USD 35.4 Bn value worth of contracts during Q3-2024 recording a 22.7% y-o-y growth and representing nearly 65.9% 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 value of contracts awarded in the Power Sector which increased from USD 1.4 Bn in Q3-2023 to USD 16.6 Bn in Q3-2024.



Sources : MEED Projects, Kamco Invest Research

Moreover, contracts awarded in the Kingdom's Oil Sector also improved y-o-y during the quarter reaching USD 3.8 Bn in Q3-2024 as compared to USD 1.1 Bn in Q3-2023. According to Meed Projects, Aramco, has spent over USD 20 Bn on upstream oil and gas projects since the start of 2024 contributing to the overall growth of contract awards in the Kingdom during the year. Similarly, project awards in the Construction Sector witnessed a 16.3% y-o-y uptick to reach USD 9.2 Bn while projects awarded in the Transport sector recorded a 63.6% y-o-y decline to reach USD 1.1 Bn during the similar period.

There have been some notable project awards during Q3-2024 in Saudi Arabia. One of the largest contracts awarded in the Kingdom during the quarter has been the USD 3.7 Bn project for the construction of high-voltage direct current (HVDC) converter stations which link to the central and south operating areas of Riyadh. The Saudi Electricity Company awarded the project to a consortium of the local Alfanar Projects and to China Electric Power Equipment & Technology. Another notable contract which was awarded during Q3-2024 was the USD 2.5 Bn project awarded by Aramco to Italy's Saipem for the engineering, procurement, construction and installation of several structures at the Marjan oil and gas field.

UAE

Total value of projects awarded in the UAE declined by 61.5% y-o-y to reach USD 10.0 Bn, their lowest mark in nine consecutive quarters, as compared to USD 25.9 Bn in Q3-2023. 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 representing 18.8% of total contract awards in the GCC region down from 40.4% in Q3-2023. In terms of sectoral performance, the y-o-y growth of sectoral contract awards was skewed to decliners as six out of the eight sectors witnessed a y-o-y decline in projects awarded during Q3-2024.

Total project awards in the Construction Sector recorded 52.5% y-o-y decline during Q3-2024 to reach USD 5.6 Bn as compared to USD 11.7 Bn during the corresponding period of the past year. In context, the Construction Sector represented 55.4% of the total contracts awarded in Q3-2023 up from 45.4% of the total projects awarded in the UAE in Q3-2023. Moreover, there were no project awards in the Chemical Sector during Q3-2024 while there was USD 3.6 Bn project awards in Q3-2023. Total project awards for the UAE Gas Sector jumped over 2.6 times y-o-y during Q3-2024 to reach USD 1.6 Bn up from USD 588 Mn in Q3-2023. Similarly, contract awards in the Oil Sector increased 8.2% y-o-y to reach USD 1.2 Bn up from USD 1.1 Bn in Q3-2024.

One of the most notable projects awarded in the UAE during the quarter was the EPC contract for Abu Dhabi airport tank farm project awarded by Adnoc to a consortium of Abu Dhabi head-quartered companies, including Trojan Construction Group as well as Dubai-based Cylingas. According to Meed.COM, the project which is estimated at USD 400 Mn involves the construction of underground tank farms which can store up to 192 million liters of jet A1 fuel at two sites near Abu Dhabi Airport.

The Mussafah industrial area in Abu Dhabi is expected to supply jet A1 fuel to the storage tanks. Meanwhile, the Dubai-based real estate developer Nakheel has awarded the USD 220 Mn project to complete the reclamation works for Palm Jebel Ali in Dubai during Q3-2024. According to MEED.com, the project which includes dredging, land reclamation, beach profiling and sand placement intended to support the development of villas on all fronds has been awarded to the Belgian company Jan de Nul. Another notable project awarded during the quarter is the USD 200 Mn contract awarded by Al Dhafra Petroleum to increase productivity from Haliba onshore oil field in Abu Dhabi.

Kuwait

Total contract awards in Kuwait stayed above the USD 2 Bn mark during Q3-2024 despite witnessing 10.9% y-o-y drop to reach USD 2.1 Bn as compared to USD 2.3 Bn in Q3-2023. The total value of projects awarded in Kuwait has reached the third highest level in 16 consecutive quarters.



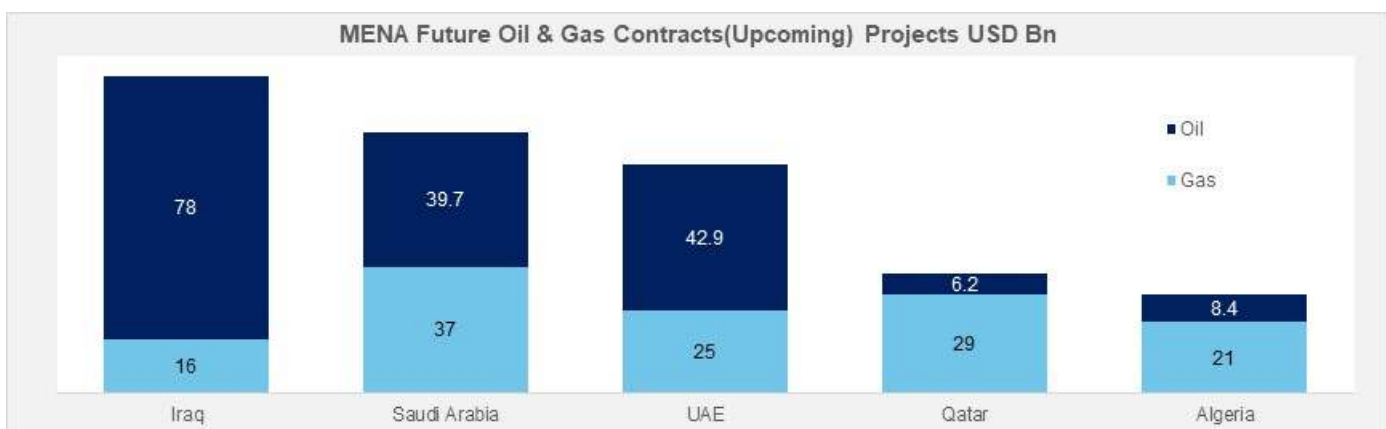
Sources : MEED Projects, Kamco Invest Research

In terms of outlook, Kuwait's projects market is expected to pick in the near term. Recently it has been reported that the Kuwait government has approved 35 projects worth up to USD 51 Bn for plans that included the modernization of infrastructure and other facilities. Nearly USD 25 Bn worth of these projects are expected to be completed by 2030.

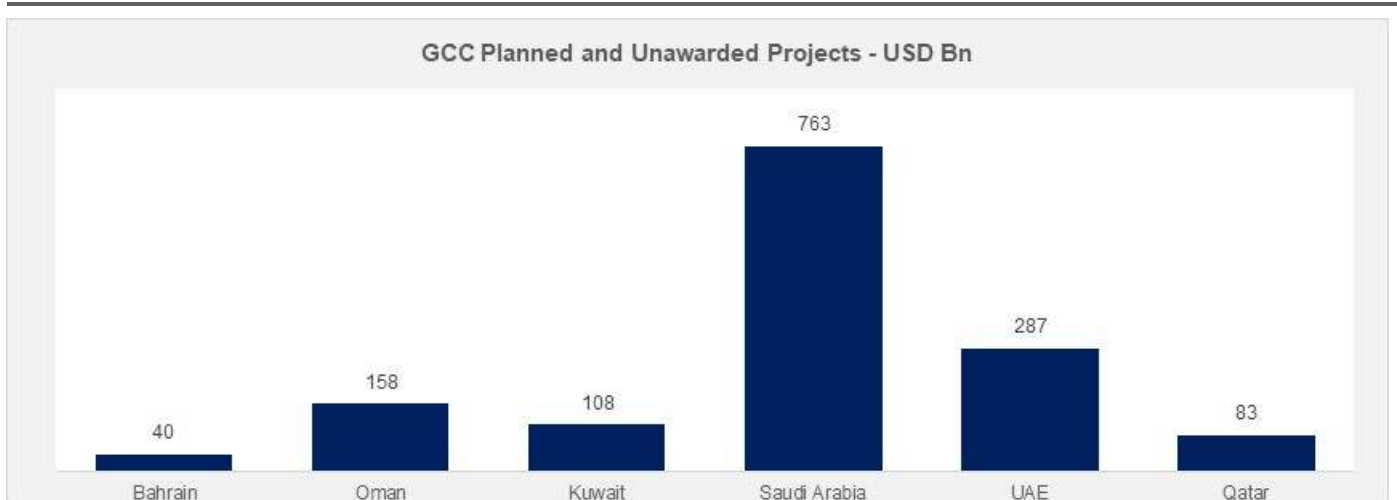
Some of the key projects approved include the USD 3.3 Bn development of 9,800 houses, a USD 1.4 Bn initiative to construct and develop roads and the construction of 111-kilometer rail line that connects to the six-nation GCC rail-network. Furthermore, the USD 3.2 Bn project to develop the Mubarak Al-Kabeer Port was also one of the major projects among the 35 projects.

In terms of sectoral performance, Q3-2024 contract awards in Kuwait's Power Sector jumped 14 times to reach USD 1.4 Bn as compared to USD 98 Mn during Q3-2023. One of the significant contracts awarded in the sector during the quarter was the USD 126 Mn contract by Kuwait Oil Company develop the power distribution network for ESP in area 1 and 2 S&EK 11 KV. Moreover, total contracts awarded in the Oil Sector recorded 265% y-o-y, jump to reach USD 168 Mn as compared to USD 46 Mn during Q3-2023. Comparatively, the aggregate value of contracts awarded in the Transport Sector recorded a 77% y-o-y decline to reach USD 440 Mn during the quarter down from USD 1.9 Bn in Q3-2023.

One of the main contracts that were awarded in the quarter was the multi sector USD 294 Mn project to develop works in the South Sabah Al-Ahmed City project. The contract was awarded by Kuwait's Public Authority for Housing Welfare (PAHW) to the Chinese company Avic International Holding Corp. The range of the project includes the construction and development of road works, irrigation, sewage, road lighting, electrical cable crossings, irrigation tank buildings and telephone networks for over six thousand and five hundred residential units.



Sources : MEED Projects, Kamco Invest Research



Sources : MEED Projects, Kamco Invest Research

Another significant project that was been awarded during the quarter was the USD 140 Mn engineering, procurement and construction (EPC) contract to construct flowlines and associated works for explanatory and Jurassic wells in North Kuwait. This project was awarded to the Mechanical Engineering and Contracting Company.

Qatar

Total project awards in Qatar improved 57.9% y-o-y during Q3-2024 to reach USD 4.2 Bn as compared to USD 2.7 Bn in the corresponding period in 2023. Qatar's aggregate quarterly contract awards recovered from their lowest level in over sixteen quarters during Q2-2024 that was at USD 187 Mn. The Gas Sector represented the lion's share (94.6%) of the total amount of contracts awarded during Q3-2024. The Gas Sector recorded 135.3% y-o-y increase during Q3-2024 to reach USD 4 Bn as compared to USD 1.7 Bn. Apart from the Gas Sector there were only three other sector that recorded contract awards during the quarter led by the Transport Sector (USD 93 Mn), the Oil Sector (USD 90 Mn) and the Construction Sector (USD 46 Mn).

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 2.7 Trillion as of 10-October-2024 . Saudi Arabia comprised the lion's share of ongoing or upcoming GCC projects (55.9% or USD 1.53 trillion) followed by the UAE which has USD 627.6 Bn and Oman with estimated ongoing or upcoming projects at USD 208.9 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 10-October-2024. Expectedly, Saudi Arabia also dominated the MENA region's projects in the pipeline representing 53.0% (USD 763.0 Bn) followed by the UAE which comprised 20.0% (USD 287.1 Bn). Total value for upcoming projects for Kuwait reached USD 108.5 Bn during October-2024 comprising 7.5% of the total GCC upcoming projects. In terms of sector representation, the Construction Sector comprised the largest sector, 30.9% or USD 444.6 Bn, of upcoming projects in the GCC followed by the Transport Sector which comprised 19.7% or USD 283.5 Bn of upcoming projects in the region.

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