

GCC Projects Market Update

September-2021

GCC projects market recovery buoyed by rising global oil demand...

The fight to limit the spread of the coronavirus carries on as vaccination against the COVID-19 continues in the GCC region. The accelerated rollout of the Covid-19 vaccine in the GCC countries combined with resurging global oil demand and prices have lifted the region's economic recovery as well as supporting the projects market.

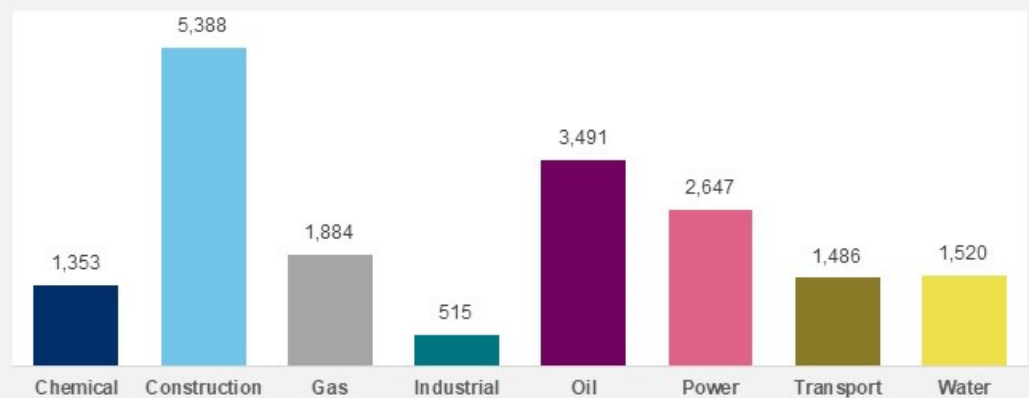
Total value of GCC contracts awarded in Q2-21 increased by 44.6% y-o-y to USD 18.4 Bn against USD 12.7 Bn in Q2-20 underscoring the region's economic recovery. According to World Bank Gulf Economic Update, GCC economic improvement is supported by the global economic recovery which is forecasted to reach 5.6%.

Saudi Arabia, the GCC's largest projects market, recorded the biggest y-o-y increase in value of contracts awarded that reached USD 6.8 Bn in Q2-2021 as compared to USD 3.5 Bn in Q2-2020. The UAE recorded a 20.7% rise in y-o-y contracts awarded in Q2-21 to reach USD 5 Bn. On the other hand, Qatar's value of projects awarded in Q2-21 declined by 43.5% to USD 1.7 Bn compared with USD 3.1 Bn in the corresponding period of 2020. **Saudi Arabia, UAE and Qatar represented over 73% of GCC contract awards in Q2-21.** Total projects awarded in Kuwait during Q2-21 jumped by 307% to USD 1.6 Bn up from USD 400 Bn in Q2-20, making Kuwait the biggest increasing GCC projects market in Q2-21 in percentage terms.

Oman's total value projects for Q2-21 more than doubled to reach USD 2.2 Bn up from USD 1.1 Bn during Q2-20. Similarly, the value of contracts awarded by Bahrain during Q2-21 rose 74.4% to USD 982 Mn compared with USD 563 Mn during Q2-20.

In terms of value of GCC projects during 1H-21, both Saudi Arabia and UAE, saw their first half y-o-y value of contracts fall 11.1% and 36.7% y-o-y reaching USD 12.6 Bn and 7.6 Bn, respectively. On the other hand, Qatar recorded the biggest 1H-21 contracts increase with 214.8% to USD 20.7 Bn up from USD 6.6 Bn worth of contracts awarded during 1H-2020. However, in terms of q-o-q performance Qatar witnessed a 90.9% fall in value projects in Q2-2021 dragging down the total GCC projects market from USD 29.4 Bn in Q1-2021 to USD 18.4 Bn in Q2-2021.

Q2-2021 GCC Projects Awards by Industry (USD Mn)



Value of GCC Contracts Awards (USD Mn) - Q2-20 Vs Q2-21



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Saudi Arabia

Total value of new projects in the Kingdom for Q2-2021 reached USD 6.8 Bn against USD 3.5 Bn in Q2-2020 recording a 96.7% rise, according to MEED Projects. The Kingdom has been the largest projects market in the GCC just ahead of the UAE comprising 37.2% of the total GCC contract awards in Q2-2021. Comparatively, the value of contracts awarded during 1H-21 suffered a decline of 11.1% to USD 12.6 Bn down from USD 14.2 Bn in 1H-20. The Kingdom has seen its value of projects awarded increase for the last three consecutive quarters.

In terms of sectors, the Power Sector, the largest sector by value of awarded projects, which represented 28.3% of the total projects in the Kingdom during the quarter witnessed its value of awarded contracts jump to USD 1.9 Bn in Q2-21 up from USD 115 Mn in Q2-20. Moreover, new projects awarded in Saudi Construction Sector, rose from USD 1.1 Bn in Q2-20 to USD 1.4 Bn in Q2-21. Overall, the Construction Sectors contract proportion has waned in the Kingdom. The Sector represented 20.2% of the projects awarded in Q2-21 down from 31.5% in Q2-20.

One of the notably large projects announced during Q2-21 in the Kingdom was the USD 147 Bn investment in the transport sector within the next nine years. The Saudi government plans to invest around 35% of money and the rest is expected to come from the private sector. The investment projects include the launch of new international airline with its hub in Riyadh. The Kingdom is using green financing as a way to fund its projects. The Kingdom plans to raise up to USD 2.7 Bn for one of its tourism projects in the Red Sea, Amaala next year. The Amaala loan would finance the building of nine hotels in the first phase of the project.

UAE

The UAE witnessed its Q2-21 contracts awarded improve 20.7% y-o-y to reach USD 5 Bn up from USD 4.1 Bn in Q2-20. The Emirate represented 27.2% of total Q2-21 new contracts awarded in the GCC. Comparatively, the UAE's 1H-21 contracts awarded fell 36.8% to USD 7.6 Bn suffering the steepest decline value of projects awarded among the GCC countries.

In terms of sectors, the Construction Sector once again topped the biggest pie of new project awards in the UAE at 36.7% in Q2-21. New contracts in the Construction Sector declined by 42.1% y-o-y to reach USD 1.8 Bn in Q2-21 down from USD 3.2 Bn in Q2-20.



Notable projects that were awarded in the UAE during Q2-21 included the USD 510 Mn gas plant project awarded to Saipem by Abu Dhabi National Oil Company (ADNOC). The project is intended to expand the Shah sour gas plant capacity in Abu Dhabi by 13% from 1.28 billion cubic feet per day to 1.43 billion cubic feet per day and is expected to be completed by 2023. Another notable contract awarded during the quarter is the USD 90 Mn project to build chemical

handling terminal at Jabel Ali port awarded to Petrochem Middle East. Petrochem signed a 30-year lease deal with DP World which owns Jabel Ali port and plans to build the facility on quay 7. The project is expected to be completed by 2023 and the chemical terminal will have 400,000 cubic meters of storage for different products.

Kuwait:

Total projects awarded during Q2-21 in Kuwait jumped 307% y-o-y to USD 1.6 Bn registering the biggest percentage increase in contracts awarded among the GCC countries. However, total new contracts awarded in Kuwait during 1H-21 stood USD 2.5 Bn witnessing a 4.6% dip y-o-y. Kuwait's Construction sector received the lion share of the projects awarded during Q2-21 which stood USD 1.2 Bn during the quarter up from USD 203 Mn during Q2-20. The Power and Oil sectors followed far behind each receiving USD 189 Mn and USD 174 Mn worth of contracts during the quarter respectively.

During the end of Q2-21 the Kuwaiti government has announced that it has approved USD 65 Bn worth of projects for the fiscal year 2022-2023. The projects comprise 14 major public projects with a combined value of USD 59 Bn and 4 large projects in partnership with the private sector which are estimated to worth nearly USD 3.2 Bn. Some notable examples of those projects are the airport expansion, Trans-Kuwait rail network and the Silk City project. It is expected that Kuwait's projects surge will continue to gather pace throughout the year. Kuwait is currently considering retendering the project to build a water waste treatment plant in the South Al-Mutlaa area. The proposed waste treatment plant is valued at USD 582 Mn and will have the capacity to treat around 400,000 cubic meters of water per day.

The Kuwaiti government plans to carry out a significant number of projects estimated to worth around USD 6 Bn for the current year (2021-2022). These projects include nine development plans which consist of 132 projects. Kuwait has allocated 15% of its USD 76 Bn current year budget for development plans.

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