

GCC Projects Market: 2022 - The Year That Was

GCC project awards reach second-lowest since 2005...

GCC project awards contracted during 2022 as global economic challenges mounted. The decline of GCC contract awards was affected by high inflation and continuing supply chain problems mainly due to China's intermittent Covid-19 restrictions which are now lifted. In addition, the increase in benchmark rates by global and regional central banks to combat runaway inflation also impacted project funding in the GCC. The decline in 2022 also reflected limited big-ticket projects outside the Saudi project market.

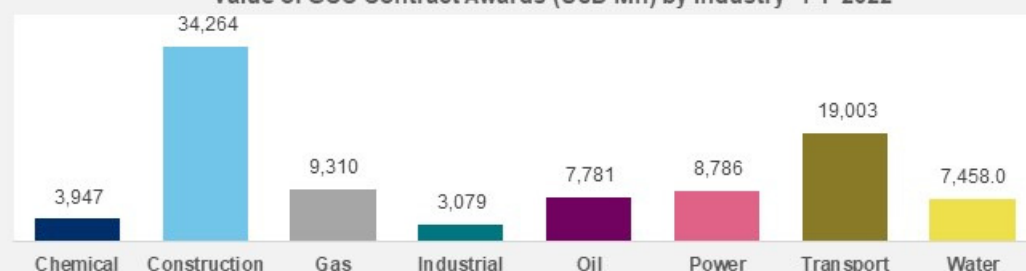
Total value of GCC contracts awarded declined by 18.7% y-o-y during 2022 to USD 93.6 Bn as compared to USD 115.2 Bn in awards during 2021. This was the lowest project awards since 2005, barring the pandemic induced decline in 2020. All GCC countries, barring Saudi Arabia, witnessed a y-o-y decline in their aggregate 2022 value of projects awarded. In addition, total value of project awards was above the USD 100 Bn mark every year for the last decade with the exception of the pandemic year (2020) and 2022.

Saudi Arabia remained the largest projects market in the GCC during 2022 recording a total of USD 54.2 Bn worth of contracts awarded as compared to USD 53.9 Bn in 2021. The UAE ranked second recording total contract awards of USD 19.2 Bn vs. USD 25.9 Bn during 2021. Saudi Arabia, UAE and Qatar accounted for a combined 93.6% of the total value of contracts awarded in the GCC during the year. Total projects awarded in Kuwait during 2022 reached USD 2.8 Bn against USD 5.2 Bn in 2021. Similarly, Oman witnessed new projects awards drop of 27.1% y-o-y to reach USD 2.2 Bn while the aggregate value of contracts awarded in Bahrain reached USD 996 Mn in 2022 as compared to USD 2.7 Bn during 2021.

In terms of sector classification, the Construction sector witnessed the biggest increase in the value of projects awarded during the year recording USD 3.2 Bn y-o-y increase in new contract awards to reach a total of USD 34.3 Bn during 2022. The growth in the GCC Construction Sector was mainly driven by the jump in total value of contracts awards in Saudi Arabia's Construction sector. The Saudi Construction sector comprised 59.2% of the total value of projects awarded in the Construction sector in the GCC during the year.

The outlook for 2023 remains bright for the GCC projects market with more than USD 110 Bn worth of projects already in the tender stage, according to MEED Projects, that would mostly translate into awards. Near-term forecast also remains positive for the region mainly driven by Saudi Arabia's Construction sector mostly related to the NEOM giga projects.

Value of GCC Contract Awards (USD Mn) by Industry - FY-2022



Value of GCC Contract Awards (USD Mn) by Country - 2021 Vs 2022



Sources : MEED Projects, Kamco Invest Research

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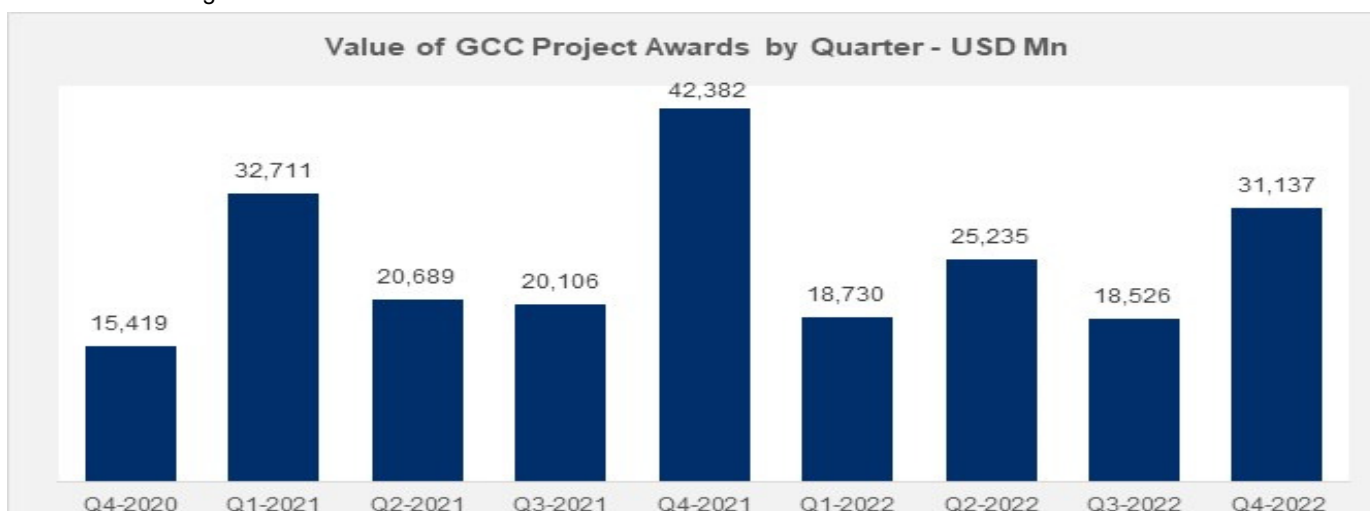
Saudi Arabia

Saudi Arabia dominated the GCC projects market during 2022 with 8 out of the 10 largest contracts awarded in the region during the year coming from Saudi Arabia while the remaining two were from Qatar. The aggregate value of Saudi Arabia's Q4-2022 project awards reached USD 18.3 Bn the highest quarterly value during the year and the second highest in the last three years despite suffering 13.9% y-o-y decline. The Kingdom was the only country which witnessed an increase in total value of projects awarded among the GCC countries during 2022 after it registered a marginal 0.5% uptick to reach USD 54.2 Bn as compared to USD 53.9 Bn.

In terms of sectors, the Construction sector maintained its lead as the largest sector by value of awarded projects in the Kingdom accounting for 37.4% (USD 20.3 Bn) of the total projects awarded in Saudi Arabia during 2022 mainly due to the fall of new contracts of notable size awarded in other major sectors. The Kingdom's projects market was mainly driven by awards from the Vision 2030 Realization Programs such as the NEOM which entail to constructing physical infrastructures. The Kingdom's contract awarded in the Construction sector saw USD 5.4 Bn y-o-y increase in real terms, the second largest growth in terms of value awarded after the Transport Sector's USD 6.3 Bn y-o-y growth.

Total value of projects awarded in the Saudi Transport sector, the second largest sector in terms of value of contracts awarded, witnessed a 114.8% y-o-y jump to USD 11.8 Bn during 2022 up from USD 5.5 Bn during 2021. The Saudi Transport sector has also benefited from certain NEOM contracts awarded during 2022 such as the contract for The Line which entails the construction of two tunnels with a length of 28 KM for high-speed transportation and freight services as part of The Line (the smart linear city in western part of the Kingdom).

Saudi Arabia's premier oil and gas company, Aramco, has been instrumental to the Kingdom's project market during the year. One good example of Aramco's lions share contribution in the Kingdom's projects market is that the oil giant has awarded approximately USD 11 Bn worth of contracts during Nov-2022 to 51 local and global oil field service companies including Halliburton and Baker Hughes. Aramco's significant investment was made mainly to strengthen the oil company's supply chain and manufacturing facilities in Saudi Arabia.



Sources : MEED Projects, Kamco Invest Research

UAE

The UAE projects market recorded the second-highest aggregate value of contract awards in the GCC during 2022 that reached USD 19.2 Bn, after Saudi Arabia. Despite maintaining the second spot in the 2022 project awards market in the GCC, total value of projects awarded in the UAE fell 25.4% y-o-y mainly due to the lack of significant awards in the Chemical Sector which witnessed only USD 8 Mn worth of contracts awarded in 2022 as compared to the USD 4.1 Bn worth of projects awarded in 2021. The Emirate represented 20.3% of the aggregate GCC contracts awarded during the year as compared to 22.2% in 2021.

In terms of sectors, the Construction Sector once again accounted for the biggest pie of new project awards in the UAE representing 56.6% of total projects in 2022. Moreover, new projects awarded in the sector registered a 7.6% y-o-y growth to reach USD 10.8 Bn during 2022 up from USD 10 Bn in 2021. On the other hand, the Oil, Water and Transport sectors witnessed y-o-y percentage growth in awards during the year. The Oil sector recorded USD 2.1 Bn in new contracts during 2022 as compared to USD 997 Mn it registered in 2021. Projects in the Transport sector more than doubled y-o-y during 2022 to reach USD 2.9 Bn as compared to USD 1.4 Bn during 2021. Total contracts awarded in the Water sector also nudged up 7.7% to USD 1.3 Bn during the year. On the other hand, the Power sector witnessed 81.4% decrease in value of projects awarded during 2022 which reached USD 748 Mn down from USD 4 Bn in 2021.

One of the notable projects that was awarded during the latter part of 2022 in the Emirates was the USD 1.53 Bn contract awarded by Adnoc Offshore to Adnoc Drilling for the supply of 14 new rigs. In context, during the last twelve months, Adnoc Drilling received approximately USD 6.4 Bn worth of contracts from the state energy producer Adnoc Group. The Abu Dhabi National Oil Company (Adnoc), one of the key drivers of the Emirates project market, recently approved its five-year (2023-2027) business plan and capital expenditure worth of USD 150 Bn.

The oil company reiterated its plans to allocate around USD 48 Bn of the capital expenditure back to the UAE through its In-Country Value (ICV) localization programme. Furthermore, the oil giant also declared an increase of 1 trillion cubic feet and 2 billion stock tank barrels of oil in the UAE's energy reserves. One of the major non-oil hydrocarbon related projects awarded in the Emirate during the year has been the USD 1 Bn Khalifa Port expansion project. The expansion project which covers Khalifa Port's South Quay, Khalifa Port Logistics, and Abu Dhabi Terminals is expected to grow the port complex from 2.4 square kilometers to 8.63 square kilometers and to extend the ports quay wall from 2.3 kilometers to 12.5 kilometers.

Qatar

Total value of contracts awarded in Qatar during 2022 declined by 43.7% y-o-y to reach USD 14.2 Bn down from USD 25.2 Bn during 2021. The fall in Qatari project awards has come as the country hosted a remarkably well received world cup which caused project activity to be halted for the games as many projects work came to completion. Also Qatar has awarded significantly higher valued projects in 2021 such as the LNG processing train project alone which costed USD 13 Bn. On the other hand, the surge in global LNG competition largely due to the Russia-Ukraine conflict, Qatar has also penciled significant LNG deals during the year such as the 27-year LNG deal with China and a 15-year LNG deal with Germany. These type of long term LNG supply deals had underscored the country's confidence in investing to expand its gas production and exporting facilities. Qatar has been pursuing a two-way ambitious strategy which combined on one hand the maintenance of robust gas production facilities and on the other hand heavily investing the gas production capacity of the country. According to MEED Projects, Qatar has earmarked a capital expenditure of USD 82.5 Bn for the 2021-2025 period.

In terms of contract awards by sector, the Gas sector maintained its lead as the largest sector by value of awarded projects in the Qatar despite witnessing a 66.1% y-o-y decline to USD 6.5 Bn down from USD 19.3 Bn in 2021. The Qatari Gas Sector accounted for 46% of the total value of projects awarded in the country in 2022 as compared to 76% in 2021. Comparatively, there has been only USD 108 Mn worth of contracts awarded in the Oil sector during 2022 against USD 1.4 Bn worth of projects awarded in 2021. On the other hand, there has been growth in the amount of contracts awarded in both the Water and the Transport Sectors during the year. Aggregate value of contracts awarded in the Water Sector jumped 98.1% y-o-y to reach USD 1.3 Bn during 2022 as compared to USD 648 Mn in 2021 while total value of contracts awarded in the Transport Sector registered 44.1% y-o-y growth to reach USD 2.4 Bn in 2022 up from USD 1.6 Bn in 2021.

Some of the big contracts awarded in Qatar during 2022 included the USD 4.5 Bn North Field offshore gas contract to build and install gas compression facilities as part of the second development phase of the NFPS (North Field production sustainability) project awarded to the Italian contractor Saipem by QatarEnergy subsidiary Qatargas. Similarly, QatarEnergy also awarded a USD 1.5 Bn contract to install vital structures at the North Field to the US contractor McDermott during the start 2022.

Kuwait

Total projects awarded in Kuwait during 2022 reached USD 2.8 Bn vs. USD 5.2 Bn in 2021. Aggregate value of contracts awarded reached their highest in eleven quarters during Q4-2022 at USD 1.3 Bn registering an increase of 687.7% q-o-q as compared to a y-o-y dip of 13.9%. Aggregate Q3-2022 value of contracts awarded in Kuwait reached their lowest in over 19 quarters at USD 162 Mn contributing to the yearly overall fall of value of contracts awarded in the country.

Top 10 GCC Contracts Awarded in 2022

Project	Country	Sector	Value (\$m)
Qatargas -North Field Production Sustainability: Phase 2: Scope B	Qatar	Gas	4,500
NEOM-NEOM City: Community Villages: Phase I : Five Housing Clusters	Saudi Arabia	Construction	3,500
NEOM-NEOM City: Backbone Infrastructure: Drill and Blast Running Tunnels	Saudi Arabia	Transport	2,780
ACWA/PIF -Renewable Energy Program: Phase 2: Shuaibah 2 Solar PV Power Plant	Saudi Arabia	Power	2,560
Saudi Aramco -ZOFD: Onshore: Hydrocarbons Processing Facilities: Package 1	Saudi Arabia	Oil	2,500
Umm Al Qura -Masar: Package A: Hotel Towers	Saudi Arabia	Construction	2,000
NEOM-NEOM City: Backbone Infrastructure: Drill and Blast Tunnel Section	Saudi Arabia	Transport	1,850
NEOM-NEOM City: Community Villages: Phase I: 3 Housing Cluster	Saudi Arabia	Construction	1,500
HIA -HIA Expansion: Phase 2B: Concourse D and E	Qatar	Transport	1,360
RCRC -King Salman International Park: Royal Art Complex	Saudi Arabia	Construction	1,333

Sources : MEED Projects, Kamco Invest Research

In terms of sectors, Kuwait's Transport sector received the majority of the value of contracts awarded in the country during the year at USD 1.1 Bn up from USD 299 Mn in 2021. Comparatively, aggregate projects awarded in the Construction Sector, the largest sector by value of contracts awarded in the previous year, fell 67.3% to reach USD 839 Mn down from USD 2.6 Bn in 2021. The decline in projects awarded for the Construction Sector was accompanied by a similar decrease in the aggregate value of projects awarded in the Oil Sector which declined by 63.4% y-o-y to reach USD 372 Mn down from USD 1 Bn in 2021. On the other hand, according to MEED Projects there has been a total of USD 102 Mn worth of water projects in the Sector in 2022 as compared to no projects awarded in the sector in Kuwait during 2021.

GCC Project Pipeline

Growth is expected to be strong in the GCC projects market during 2023. According to MEED Projects, Saudi Arabia, and UAE, the two biggest contract markets in the region, could witness a growth of up to 20% each in 2023. Moreover, MEED expects Kuwait, Oman, and Bahrain to witness sharper increases than KSA and UAE. On the other hand, Qatar is the only country which is expected to see a dip in contract awards during 2023 as the country re-evaluates its project awards after the World Cup. In terms of GCC projects market pipeline, according to MEED Projects estimates, Saudi Arabia has the most dominant projects market with more than USD 1.2 Trillion worth of known, planned and un-awarded contracts in the pipeline. UAE and Oman follow as the second and third countries with the biggest projects pipeline in the region at USD 473.8 Bn and USD 169.8 Bn of known, planned and un-awarded projects, respectively. Comparatively, Kuwait projects in the pipeline are valued at USD 156.2 Bn according to MEED Projects. In terms of sectors of future projects in the pipeline, around 58% of the GCC's future projects in the pipeline are in the Construction Sector with the Transport and Chemical sectors following as distant second and third representing 12% and 8% respectively.

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