

GCC Projects Market Update

October-2023

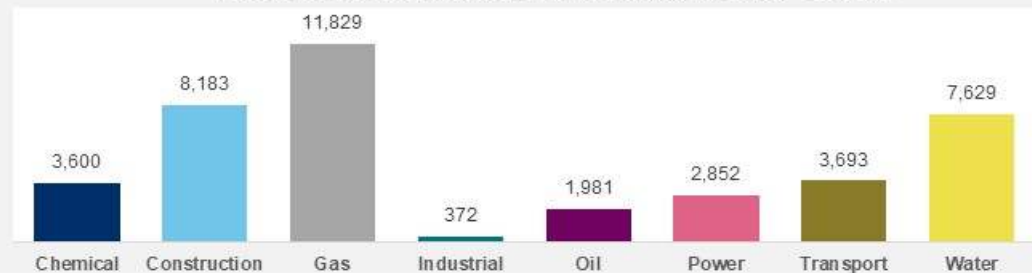
Gas sector boosts Q3-2023 project awards by 86%...

GCC project awards surged 86% during Q3-2023 to reach USD 41.8 Bn as compared to USD 22.2 Bn in awards during Q3-2022 underlining the continued upward trend in the GCC's projects market. This was the third-highest in terms of quarterly values of projects awarded over the last five years. The robust growth in the total value of projects awarded in the GCC is also a significant indicator of the determination of the GCC countries to reach their economic diversification goal. As a result of the sustained diversification projects in the GCC the general trend of the quarterly projects awarded in the region projects has been moving upwards since 2018.

All countries in the GCC witnessed y-o-y growth in their total value of contracts awarded during Q3-2023 barring Qatar which recorded the only decline in its total value of projects awarded during the period. Kuwait led the pack in terms of y-o-y percentage growth during the quarter after the total value of contracts jumped more than 13 times to reach USD 2.3 Bn as compared to USD 162 Mn in the corresponding quarter of 2022. On the other hand, Bahrain remained the smallest project market in the region despite witnessing a 94.5% jump in its total value of contracts awarded during Q3-2023 that reached USD 247 Mn while Saudi Arabia maintained its top position as the largest projects market in the GCC during Q3-2023. The Kingdom's project more than doubled during Q3-2023 to reach USD 21.2 Bn against USD 9.3 Bn. Similarly, total contract awarded in the UAE jumped 101.7% to reach 15.5 Bn during the quarter.

Saudi Arabia alone accounted over 50% of the contracts awarded in the GCC region during Q3-2023, while Saudi Arabia, UAE and Qatar combined represented 93.0% of the overall projects awarded in the GCC. Saudi Arabia's growth in contract awards during the quarter was mainly driven by a jump in the value of projects awarded in the Gas and Water sectors. Moreover, Saudi Arabia's y-o-y growth in contract awards was buoyed by the persistent nature in which the country's Vision 2030 new projects is constantly being unveiled. Total value of contracts awarded in the Sultanate of Oman increased by 8.4% y-o-y to reach USD 376 Mn during Q3-2023 as compared to USD 347 Mn in Q3-2022 driven mainly y-o-y growth in the Sultanate's Water and Gas sectors which reached USD 200 Mn and USD 80 Mn, respectively. In terms of regional sector classification, the GCC Gas Sector witnessed the biggest increase in terms of absolute value of projects awarded recording a total USD 11.8 Bn in Q3-2023 as compared to USD 811 Mn in Q3-2022 followed by the Water Sector which witnessed 178.4% y-o-y growth to reach USD 7.6 Bn in total value of contracts awarded in the quarter.

Value of GCC Contract Awards (USD Mn) by Industry - Q3-2023



Value of GCC Contract Awards (USD Mn) by Country - Q3-2023 Vs Q3-2022



Sources : MEED Projects, Kamco Invest Research

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Saudi Arabia

Saudi Arabia represented over 50% of the projects awarded in the GCC region during Q3-2023. Total contracts awarded in the Kingdom during Q3-2023 reached USD 21.2 Bn recording 127.3 y-o-y growth despite witnessing a decline of 11.7% in q-o-q. Saudi Arabia has intensified its initiatives of its Vision 2030 approving a significant number of infrastructure projects including subcontracts of many giga projects such as the Neom and Diriyah giga projects. According to data gathered by MEED Projects, the Kingdom has awarded more than USD 13 Bn worth of contracts on Neom-linked projects during the last 20 months. Saudi Arabia's strong economic growth in 2022 has made it easier for the Kingdom to push ahead with many of its ambitious Vision 2030 projects. The Kingdom had the fastest growing economy among the G20 countries in 2022 expanding at 8.7%.

In terms of sectors, the Gas sector overtook the Chemical sector as the largest sector by value of awarded projects in the Kingdom during Q3-2023 recording nearly 55 times y-o-y jump in value of contracts awarded to reach USD 9.5 Bn as compared to USD 174 Mn in Q3-2022. Saudi Arabia's Gas Sector accounted for 44.8% of value of project awards in Saudi Arabia during Q3-2023. The Water sector followed as the second largest sector by value of contracts awarded at USD 4.4 Bn while the Kingdom's Construction Sector recorded USD 3.2 Bn in value of contracts awarded during Q3-2023. Saudi Arabia's value of projects awarded momentum continues its uptick trend after the pandemic measures were lifted and oil prices recovered from the 2020 lows when the total yearly value of GCC contracts fell to USD 70.1 Bn as compared to USD 107.5 Bn in 2019. In terms of giga projects, according to Meed's Saudi Giga Projects Tracker, the Kingdom's five official giga projects (Neom, Diriyah, Qiddiyah, Red Sea and Roshn) have awarded an estimated USD 45 Bn construction contracts since they were launched accounting around 16% of the USD 290 Bn total value of project awarded since 2017.



Sources : MEED Projects, Kamco Invest Research

Some of the major and notable projects awarded in Saudi Arabia during Q3-2023 is the USD 2 Bn project to operate the first independent water transmission pipeline in the Kingdom (The Rayis-Rabigh IWTP) awarded to a group of companies led by Al Khorayef Power & Local Technologies. The pipeline would have a length of 150 KM and would be able to carry 500,000 cubic meters of water between the Rayis and Rabigh towns. Another notable project awarded in the Kingdom during the quarter was the USD 213 Mn Trojena substation packages awarded by Saudi Electricity Company (SEC) to Nesma Infrastructure and Technology. The contract is intended to design and build two power transmission substations in the Trojena mountain which is 50 KM from the Gulf of Aqaba coast.

UAE

Total value of projects awarded in the UAE doubled y-o-y during Q3-2023 to reach USD 15.5 Bn as compared to USD 7.7 Bn in the corresponding period of 2022. The Emirates projects market maintained its spot as the second biggest projects market in the GCC during Q3-2023. Moreover, the UAE's total contracts during the quarter also improved marginally at 1.2% q-o-q. In a yearly context, the Emirates has awarded USD 26.1 Bn worth of contracts in 2021 and USD 24.6 Bn value of contracts in 2022 which is significantly lower than the USD 40.4 Bn average yearly value of contracts awarded between 2013 till 2020 due to Covid-19 disruption. However, the total value of projects awarded so far for the first nine months of 2023 has already surpassed USD 40 Bn which underlines the Emirates ongoing projects market recovery.

The UAE representation of the GCC contracts awarded increased from 34.3% in Q2-2022 to 37.1% in Q3-2023. The Emirate's projects market was mainly driven by a combination of factors that included better than expected economic conditions which allowed the Emirate to stay on course and continue to award pre-planned contracts as well as a jump in contracts awarded in the Emirates Chemical Sector. In terms of overall project market size according to MEED Projects, by the end of Q2-2023, the total value of contracts in the UAE reached USD 592.6 Bn of which the Emirates has approximately USD 98.4 Bn or just 16.4% under execution as compared to USD 344.4 Bn (57.5%) of the projects were in the design phase while USD 74.1 (12.3%) Bn were in the bidding stage.

In terms of sectors, the Construction Sector once again accounted for the biggest pie of new project awards in the UAE representing 32.3% of total projects in the UAE during Q3-2023 which reached USD 4.6 Bn as compared to USD 4.4 Bn awarded in Q3-2022. One of the prominent construction projects launched in the Emirates during the quarter is the USD 2.2 Bn Balghaiylam project to construct 1,743 housing units including schools, mosques, and sport centers among other things in the northeast of Yas Island. The Chemical Sector followed as the second largest sector in terms of total contracts awarded during the quarter after it recorded USD 3.6 Bn worth of contracts during the quarter while the Water Sector was distant third at USD 3 Bn in contract awards.

Qatar

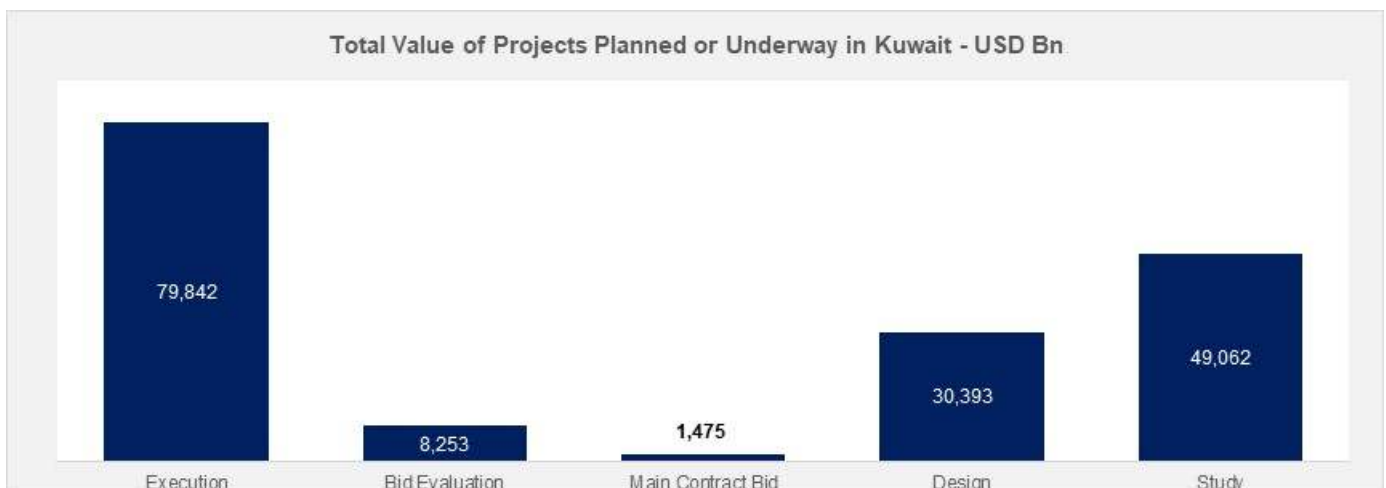
Total value of contracts awarded in Qatar declined by 55.3% y-o-y to reach USD 2.1 Bn during Q3-2023 as compared to USD 4.8 Bn in Q3-2022 according to data gathered by MEED Projects. The growth in contract awards was primarily due to the jump in value of projects awarded in Qatar’s Gas Sector during Q3-2023 which represented 72.8% of the total contracts awarded in the country during the quarter. Total values of Gas Sector projects awarded jumped from USD 15 Mn in Q3-2022 to USD 1.6 Bn during Q3-2023. Moreover, the exponential growth of total values of projects awarded in the country was mainly driven by due to a combination of high value projects including segments of the USD 3.9 Bn agreement between QatarEnergy and the South Korean shipyard company HD Hyundai Heavy Industries for the construction of 17 LNG haulers. This deal is the second stage of QatarEnergy’s LNG ship procurement plan in which in the first phase Qatar ordered a total of 60 vessels from Chinese and South Korean companies. In terms of overall project market size, according to MEED’s Gulf Projects Index, the total value of contracts in Qatar stood USD 187.5 Bn during the end of Q2-2023 of which Qatar has USD 71.2 Bn worth of the contracts under execution as compared to USD 70.3 Bn it has in the design stage.

Total value of contracts awarded in Qatar’s Construction Sector witnessed 45.3% y-o-y decline to reach USD 264 Mn in Q3-2023 as compared to USD 483 Mn in Q3-2022. Comparatively, Qatar’s Oil Sector witnessed a 595.7% growth in total value of projects awarded during the quarter which reached USD 320 Mn as compared to USD 46 Mn in the corresponding quarter of the previous year. In terms of the current key high value projects under execution in Qatar, the USD 13 Bn NFED LNG Processing Trains top the list, followed by the USD 10 Bn contract to for the two mega LNG trains in the North Field South Development. On the other hand, the USD 11.1 Bn Hamad International Airport expansion project tops the list of future projects planned in the country.

Kuwait

Total projects awarded in Kuwait during Q3-2023 reached USD 2.3 Bn vs. USD 162 Mn in Q3-2022 recording the biggest y-o-y growth in total contracts awarded among the GCC countries during the quarter. Aggregate value of contracts awarded reached their highest quarterly mark in over four years during Q3-2023, mainly driven by infrastructure investment which are one of the key pillars in Kuwait’s Vision 2035 plan led by the Transport and Construction Sectors.

Kuwait is gearing up for a good year of project awards as total yearly projects awarded in the country is expected to reach the highest mark since 2018. In context, total value of deals awarded during 9M-2023 (USD 5.8 Bn) has already surpassed the total value of contracts awarded in each year between 2019 and 2022: 2019 (USD 3.3 Bn), 2020 (USD 4.3 Bn), 2021 (USD 5.1 Bn) and 2022 which recorded a total of USD 2.4 Bn in value of projects awarded. Overall, in terms of project market size, Kuwait had an estimated USD 169.0 Bn in total value of projects by the middle of October-2023 according to MEED’s Gulf Projects Index. Furthermore, in terms of project market status the country had USD 79.8 Bn worth of contracts under execution, USD 54.4 Bn worth of contracts under study and USD 54.2 Bn worth of projects under design by mid October-2023.

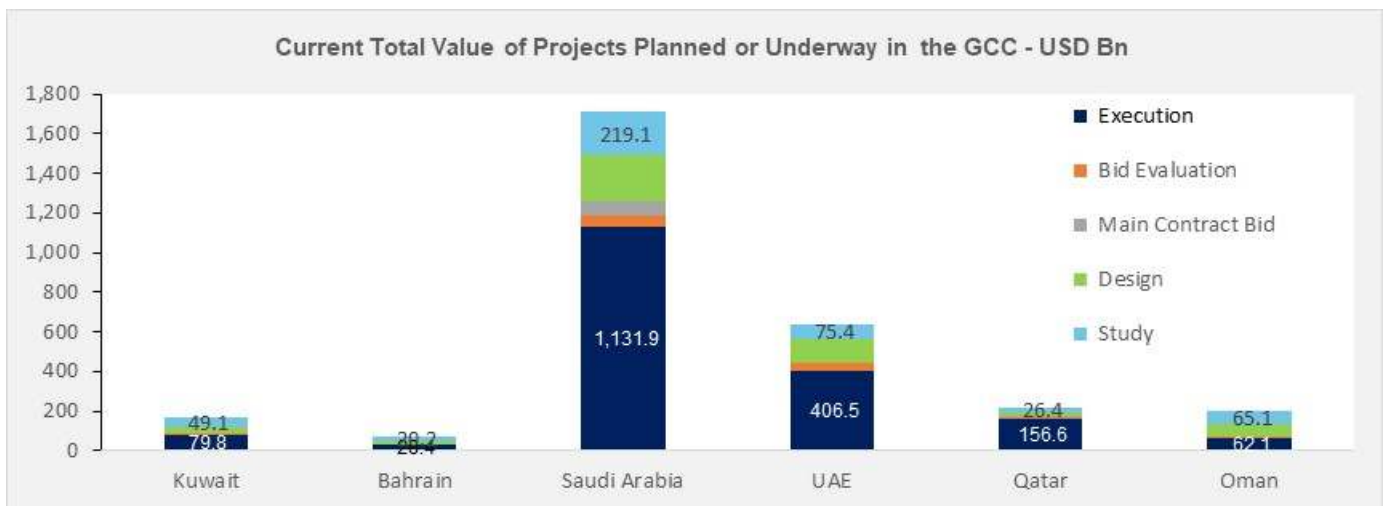


Sources : MEED Projects, Kamco Invest Research

In terms of sector performance, Kuwait's Transport Sector recorded USD 1.9 Bn of projects during Q3-2023 as compared to USD 50 Mn during the similar quarter of the previous year. The Transport Sector represented approximately 83.6% of the total projects awarded in the country during the quarter. Kuwait's Construction Sector followed as the second largest sector in terms of contracts awarded during the quarter at USD 134 Mn. Currently, the USD 4.3 Bn Kuwait Airport Expansion: New Passenger Terminal 2 project is the biggest ongoing project in Kuwait followed by the USD 1.4 Bn Umm Al-Hayman Wastewater Treatment Plant Expansion project. Comparatively, the USD 12 Bn North Kuwait Airport project is the largest planned and un-awarded project in Kuwait followed by the USD 11.6 Bn South Al Mutlaa City project.

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 have already witnessed significant growth in projects awarded for the first nine months this year. Furthermore, Kuwait and Oman have also recorded sharper increases in value of contract awards so far during 2023. The GCC future contract awards is forecasted to be led by the Oil, Gas, Petrochemical sectors which is poised for significant growth in the near and medium future. In terms future spending, according to data gathered by MEED Projects, the UAE has the largest short-term value of planned projects in the Oil, Gas, and Petrochemical sectors among the GCC countries. UAE's value of known future oil, gas and petrochemical projects in the next 18 months are expected to reach USD 28.5 Bn.



Sources : MEED Projects, Kamco Invest Research

Similarly, the values of known oil, gas and petrochemical contracts for Saudi Arabia and Qatar are estimated to reach USD 23.5 Bn and USD 13.2 Bn respectively, during the similar period. In context, the total value of contracts awarded in the past decade for the Oil, Gas, and Petrochemical sectors reached over USD 280 Bn.

Both the short term and the long term sentiment of the future GCC project awards is positive. Recently the Jeddah Economic Company (JEC) invited contractors to bid for the project to complete the Jeddah Tower (the world's tallest building). The completion of the project which is expected to be achieved before 2030 would be a significant milestone for the Saudi projects market as it would underline the confidence of both the Saudi government and the constructions firms. On the other hand, the UAE is gearing up to launch new and ambitiously exciting projects as the pandemic recovery continues to pick up pace. One of the Emirate's ambitious projects include the Tower at Creek Harbor project which is expected to start during Q2-2024. The construction of the Tower Creek Harbor project was delayed in 2019 when the towers foundation work was finished. Moreover, Dubai's Roads & Transport Authority is planning to issue tender documents for the already delayed Dubai Metro Blue Line. The Blue Line would connect Dubai's Metro network to the Dubai Creek Harbor development.

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