

Kuwait: Project awards slow-down in 4Q19, may show modest recovery in 2020

Highlights

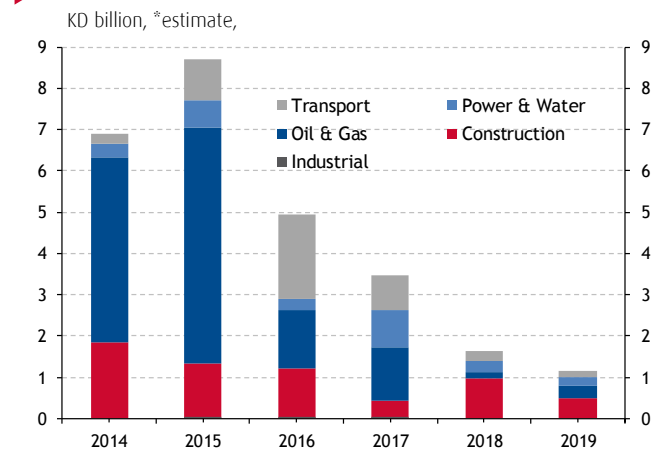
- Project awards fall short of expectations in 4Q19 with KD 180 million, compared to KD 281 million awarded in 4Q18.
- Total 2019 awards stand at an annual low of KD 1.1 billion, due to delays, prolonged bid negotiations, and technical difficulties.
- The construction sector dominated in 2019 with 42% of total awards (KD 482 million).
- Planned projects for 2020 are set at KD 8 billion, partly due to 2019 delays, but is likely optimistic given recent trends.

Project awards fall short of expectations in 2019, but may rise in 2020

The pace of project awards in 4Q19 slowed to a historically weak KD 180 million, compared to KD 281 million awarded in 4Q18, which is consistent with a continued downward trend in project activity over the last four years. Total awards stood at KD 1.1 billion in 2019, an exceptionally low figure, despite an initially planned figure of KD 4.4 billion at the start of the year. This was largely due to delays, prolonged bid negotiations and various technical difficulties, especially in the challenging area of public-private partnerships. Tight spending constraints imposed by the Ministry of Finance which are aimed at curbing a growing deficit may have been a further contributing factor, according to a report by MEED Projects. The Transport sector saw the least activity in 2019, with only KD 147 million worth of projects awarded, followed by the Power and Water sectors with KD 220 million. By contrast, the Construction sector saw decent activity, with nearly KD 500 million in awards, accounting for just under half of 2019's total annual awards.

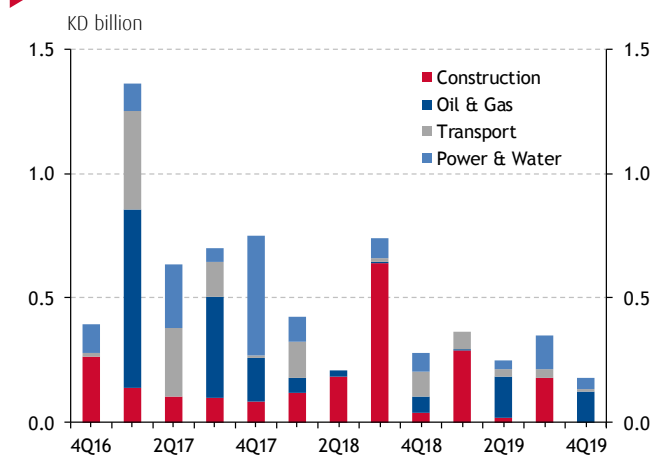
According to MEED Projects, some KD 8 billion worth of projects are planned for 2020, mostly in the petrochemical sector, but given the recent trend of delays and setbacks, we expect a much smaller figure to materialize. A large part of expected 2020 awards hinges on KIPIC's highly anticipated Al Zour Petrochemical Complex, scheduled for 4Q20 and valued at KD 2.85 billion. Additional large projects are also expected, in the power sector with the Dibdiba solar power plant and the KAPP/MEW Khiran IWPP valued at KD 360 million and KD 1 billion, respectively.

▶ Chart 1: Annual project awards



Source: MEED Projects, as of January 14.

▶ Chart 2: Quarterly project awards

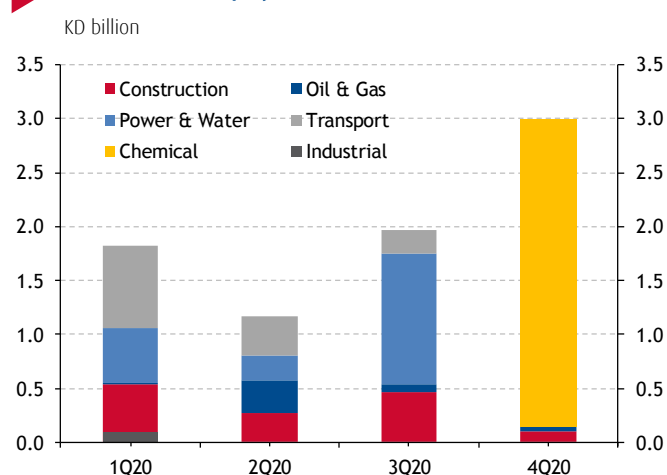


Source: MEED Projects, as of January 14

Transport

The transport sector saw exceptionally weak activity in 4Q19, with only KD 11 million awarded. Total annual awards stood at KD 150 million, an 8-year low, coming largely from the Public Authority for Housing Welfare's (PAHW) Low Cost Residential Project: Infrastructure Works project valued at KD 67 million awarded in 1Q19. Looking forward, awards may rise in 2020, with about KD 1.3 billion planned during the first three quarters of 2020. Notable upcoming projects include several parts of the Northern Regional Roads (KD 444 million) and Ministry of Power and Water's (MPW)- Package 2: Landside Works (KD 345 million) as well as the Kuwait Airport Expansion: Phase 1: Package 1 (KD 150 million), which is scheduled for 1H 2020.

Chart 3: Planned projects*



Source: MEED projects, as of January 14, *excludes awarded projects

Construction

While the construction sector saw no awards in 4Q19, it was the leading sector in 2019 by value of projects awarded of KD 482 million, representing 42% of total awards. A noteworthy number of infrastructure projects took place including numerous parts of the Public Authority for Housing Welfare's (PAHW) Public Buildings in Al-Mutlaa City, with a combined value of KD 123.6 million, awarded in 3Q19. In addition to Tamdeen Group's Al Khiran Hybrid Outlet Mall (KD 196.8 million), and Amiri Diwan's Al Shaheed Park third phase (KD 84 million) both awarded in 1Q19. Looking forward, KD 1.3 billion in planned projects are scheduled for 2020, but we expect a smaller figure to materialize given the potential for delays.

On a positive note, the sector saw good activity in January 2020 thanks to the award of three packages related to two key housing projects by PAHW – the Sabah al Ahmad and Jaber Al Ahmad housing megaprojects, a milestone achievement by the authority given the technical challenges and complexities of public private partnerships in the past. This will be the second example of a successful PPP in Kuwait (first being North Al-Zour) and may pave the way for more future projects between the government and private sector. Two packages related to the

Jaber Al Ahmad project were awarded: the southern part (J2) commercial center spanning 145,000 sqm went to the Argaan international real estate consortium, while the mixed-use (residential/commercial) (J3) package with an area of 217,000 sqm went to the Mabaneer consortium. Finally, a single package (S2) of the Sabah Al Ahmad project, with an area of 1.29 million sqm dedicated for industrial use was awarded to Agility PWC.

Upcoming construction sector awards include Kuwait Authority for Partnership Projects (KAPP) / Kuwait Municipality - South Al-Jahra Labour City (KD 149 million), planned for 2Q20, Ministry of Power and Water's (MPW) Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A (KD 271 million) and Ministry of Health's (MOH) - New Ibn Sina Hospital (KD 168 million), both planned for 3Q20.

Power and Water

Despite a pressing need for power and water projects due to growing demand, awards came to a mere KD 40 million in 4Q19. Total 2019 awards for the Power & Water sectors stood at KD 220 million, falling short of 2018's KD 260 million. Awarded projects include several parts of PAHW's - 400kV Main Transformer Stations, at a combined value of KD 90 million awarded in 3Q19 and the Ministry of Electricity and Water's (MEW) - Construction of Ground Tanks at West Finatees (KD 18 million) awarded in 4Q19. The outlook for the power and water sector may improve in 2020 with about KD 1.9 billion in planned projects, including the Kuwait National Petroleum Company's (KNPC) - Al Dibdibah Solar PV Power Plant in Shagaya Renewable Energy Complex (KD 360 million) and KAPP/MEW – Al Khiran IWPP Plant 1800 MW (KD 1 billion), planned for 1Q20 and 3Q20, respectively.

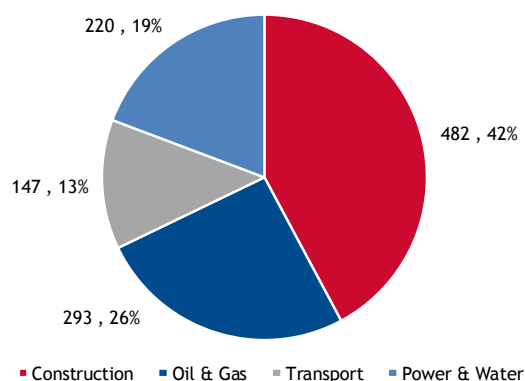
Oil, gas and chemicals

The oil and gas sector saw about KD 122 million in project awards in 4Q19 stemming from a single project: Kuwait Oil Company's (KOC)'s 11 Patterns Well Hook-up & Associated Works. Total 2019 project awards came to about KD 293 million, most of which came through in 2Q19 (KD 167 million), including KOC's New Strategic Gas Export Pipeline from North Kuwait to MAA (KD 144 million). Looking forward, the oil and gas sector may only see about KD 435 million in project contracts in 2020 coming largely from the gas sector, with KOC's Jurassic Non Associated Phase 2: JPF 4 & 5 valued at a combined KD 270 million, due in May 2020.

Kuwait's typically quiet chemical sector should see some much-anticipated movement in 2020, with Kuwait's Integrated Petroleum Industries Company (KIPIC) - Al Zour Petrochemical Complex. The mega-project is set to be awarded in 4Q20 and is valued at KD 2.85 billion.

▶ **Chart 4: 2019 Project Awards Breakdown by Sector**

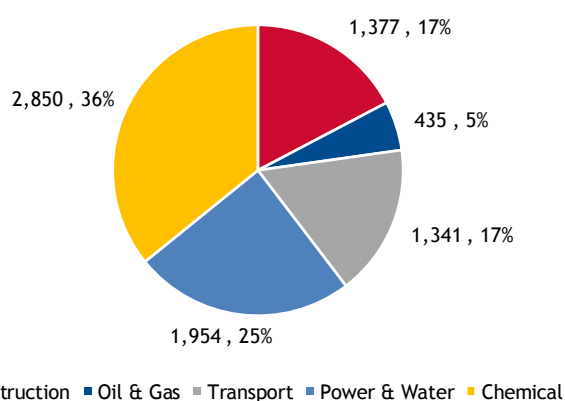
KD million



Source: MEED projects, as of January 14

▶ **Chart 5: 2020 Planned Projects Breakdown by Sector**

KD million



Source: MEED projects, as of January 14

▶ **Table 1: 2020 major planned projects**

Project Name	Sector	Value (KD million)	Expected Award
MPW - Northern Regional Road from Al Salmi Road to Abdaly Road Junction	Transport	180	1Q-2020
MPW - Regional Road South Part Project: Central Section	Transport	225	2Q-2020
MPW - Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A	Construction	271	2Q-2020
MPW - Package 2: Landside Works	Transport	345	1Q-2020
KNPC - Al Dibdibah Solar PV Power Plant in Shagaya Renewable Energy Complex	Power	360	1Q-2020
KAPP/MEW – Al Khiran IWPP Plant 1800 MW	Power	1,050	3Q-2020
KIPIC - Al Zour Petrochemical Complex: Package 1, 2 & 3	Chemical	2,850	4Q-2020

Source: MEED projects, as of January 14

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