

Kuwait project awards gather pace in 1Q21, but activity still lower than expected

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Highlights

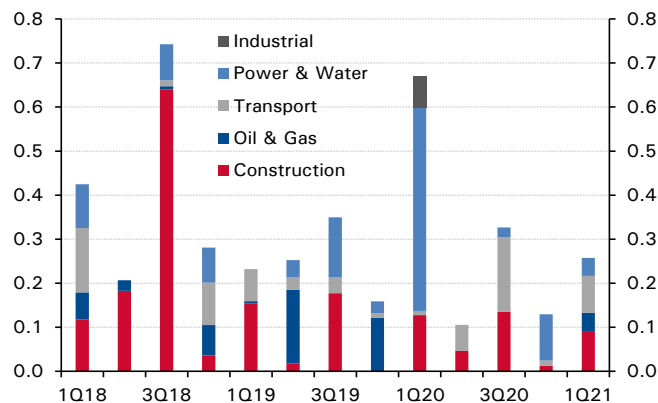
- Project awards came in higher in 1Q21 compared to a year earlier, but still lower than originally anticipated.
- Awards in the construction sector increased the most in 1Q21, followed by transport sector projects.
- Awards momentum eased in the power and water sectors in 1Q21 compared to the previous quarter.

Project awards pick up in 1Q21 and may rise further in 2021

Project awards came in higher in 1Q21 compared to a year earlier but still lower than originally anticipated. The value of projects awarded in 1Q21 reached KD 257 million, up 99% from the previous quarter, according to MEED projects. This is still far short of the KD 1.4 billion that was expected in 1Q21. The ongoing mobility restrictions in place to limit the spread of the coronavirus and the uncertain economic climate have likely hindered progress in project tendering and execution. (Chart 1.) The majority of projects awarded (by value) in the first quarter were in the construction and transport sectors (see below). While there are many projects slated for the rest of 2021 (about KD 4 billion), based on past trends and given the still pandemic-related movement restrictions, awards could fall way short of expectations.

Chart 1: Quarterly project awards

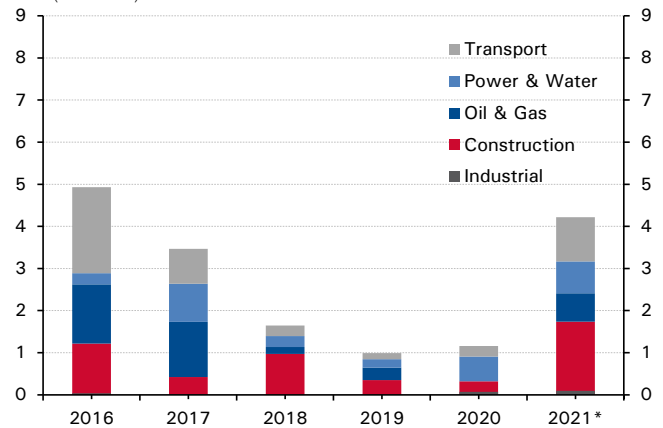
(KD billion)



Source: MEED Projects, as of April 14

Chart 2: Annual project awards

(KD billion)



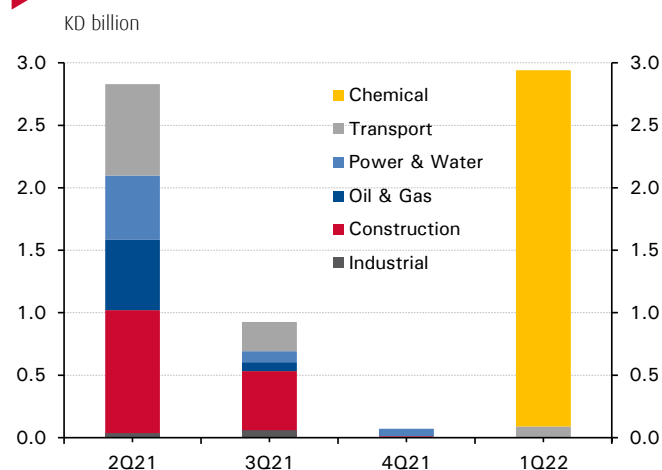
Source: MEED Projects, as of April 14. *includes planned projects

Projects Awards by Sector

Transport

Awards in the transport sector increased in 1Q21 compared to the previous quarter. The transport sector witnessed about KD 84 million in project awards, though this stemmed mainly from the MPW's Damascus Street, 5th Ring Road & King Faisal Bin Abdul Aziz Road works projects, valued at about KD 78 million. Transport sector projects are a pressing concern, as maintenance and upkeep of the country's transport infrastructure becomes increasingly overdue. Looking ahead, awards activity in the sector is expected to gather pace with about KD 1 billion worth of projects in the pipeline for 2Q and 3Q21. Notable upcoming projects include infrastructure works on PAHW's Sabah Al Ahmed Township (KD 300 million) and MPW's crossroads for the new passenger terminal, due to be awarded in 2Q21 and 3Q21 respectively.

Chart 3: Planned projects*



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

Construction

The construction sector came in first in terms of project awards in the first quarter of 2021. The sector witnessed about KD 92 million in project awards—and this was mainly from PAHW’s Sabah Al Ahmed township (residential complex). Government-sponsored projects have been rationalized amid the coronavirus pandemic and intensifying fiscal pressures. That said, however, nearly 40% of planned projects for 2021 are in the construction sector, including Kuwait Authority for Partnership Projects (KAPP) and Kuwait Municipality - South Al-Jahra Labour City (KD 149 million) and MPW’s Mubarak Al-Kabeer Seaport Project (KD 271 million), along with various smaller scale projects.

Power and Water

Momentum eased in the power and water sectors this quarter, after awards exceeded KD 100 million in the previous quarter. This sector saw moderate activity in 1Q21 with KD 41 million in project awards, stemming from several Ministry of Electricity and Water (MEW) projects, including the substation at Al-Sabah hospital. Additionally, with the development of various energy-intensive projects as part of Kuwait’s development plan, the demand for utilities is projected to grow significantly. Looking ahead, MEED figures show about KD 660 million in the project pipeline for the rest of the year, most of which is due to be awarded in the second quarter. However, given recent trends, we expect to see some projects rolled over into subsequent quarters. Notable upcoming projects include the MEW - Wastewater Treatment Plant in South Al-Mutlaa Area (KD173 million), which is now scheduled for 3Q21 (previously 1Q21).

Oil, gas and chemicals

The oil and gas sector finally saw some awards in 1Q21, after a year in which there was negligible activity. The sector saw about KD 41 million from a single project award: Kuwait Oil Company’s (KOC’s) Jurassic Production Facilities 4 & 5 (Off-plot works) project. Project awards effectively stalled in 2020 on concerns about the oil sector’s future prospects following the precipitous,

pandemic-linked decline in oil prices. Kuwait’s oil and gas sector has about KD 635 million in awards planned for 2Q and 3Q21 including KOC’s JPF 4 & 5 Production Facilities, valued at around KD 270 million and several smaller scale oil pipeline projects (KD 280 million). That said, based on a recent report by MEED, the Jurassic Production Facilities (4 & 5) project is facing further delays as the tender has yet to be finalized.

Kuwait’s chemical sector has seen negligible activity in recent years. However, with the upcoming Kuwait Integrated Petroleum Industries Company (KIPIC) - Al Zour Petrochemical Complex project (KD 2.85 billion), the sector is poised to see some highly anticipated movement in early 2022. Further delays cannot be ruled out, though.

The Projects outlook for 2021

MEED Projects estimates that some KD 3.9 billion worth of projects are planned for the remainder of 2021, including many that have been rolled over to 2Q21 from 1Q21. However, given the ongoing pattern of delays and setbacks and the high probability that the current partial curfew will be extended through to mid-May, it is very likely that a much smaller figure will materialize. A large portion (40%) of planned 2021 project awards stems from the construction sector, with phase 1 of MPW’s Mubarak Al-Kabeer Seaport Project (KD 271 million) and several other parts of the Public Authority for Housing and Welfare (PAHW)’s Sabah Al Ahmed Township project due to be awarded this year.

According to MEED, the outlook could improve if funding from alternative sources is secured. Public-private partnership (PPP) models in particular have had some success recently. Their involvement in sectors such as construction and transport could reinvigorate activity over the medium term.

► **Table 1: 1Q21 Project Awards**

Project Name	Sector	Value (KD million)	Award Date
MPW - Damascus Street, 5th Ring Road & King Faisal Bin Abdul Aziz Road	Transport	77.7	1Q21
PAHW - Sabah Al Ahmed Township: Residential Complex (597 Houses)	Construction	75	1Q21
KOC - JPF 4 & 5 Off-plot Works & Production Facilities: North Area Off-plot Work	Gas	41.1	1Q21
MEW - 300kV Substation at Al Sabah Hospital	Power	16.8	1Q21
United Real Estate - Hessah Al Mubarak: Byout Hessah (Plot 158 & 159)	Construction	16.5	1Q21
MEW - 400kV Over Head Lines for Main Substation Boubyan (Z)	Power	15.9	1Q21
MEW - Feeder Lines for Al Khairan Thermal Station	Power	7.8	1Q21
Tamdeen Group - South Sabahia Car Park Building	Transport	6.6	1Q21

Source: MEED projects, as of April 14

► **Table 2: 2021 Major Planned Projects**

Project Name	Sector	Value (KD million)	Expected Award
PAHW - South Sabah Al Ahmed Township : Infrastructure Package (S3)	Transport	300	2Q21
MPW - Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A	Construction	271.2	3Q21
KOC - JPF 4 & 5 Off-plot Works & Production Facilities: Production Facilities	Gas	270	2Q21
MPW - Wastewater Treatment Plant in South Al-Mutlaa Area	Water	173.4	3Q21
KAPP / Kuwait Municipality - South Al-Jahra Labour City	Construction	148.5	2Q21
MPW - Regional Road South Part Project: Central Section	Transport	129	3Q21
Kuwait MPW - Crossroads for New Passenger Terminal 2 at Maqwa Road	Transport	120	3Q21
MPW - Northern Regional Road from Crossroad No.82 To Crossroad No.58	Transport	99	2Q21
KOC - KERP: South Kuwait Excavation Transportation & Remediation Project: Zone-3	Construction	90	2Q21

Source: MEED projects, as of April 14

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