

# Kuwait project awards weaker in 4Q20, but may show modest recovery in 2021

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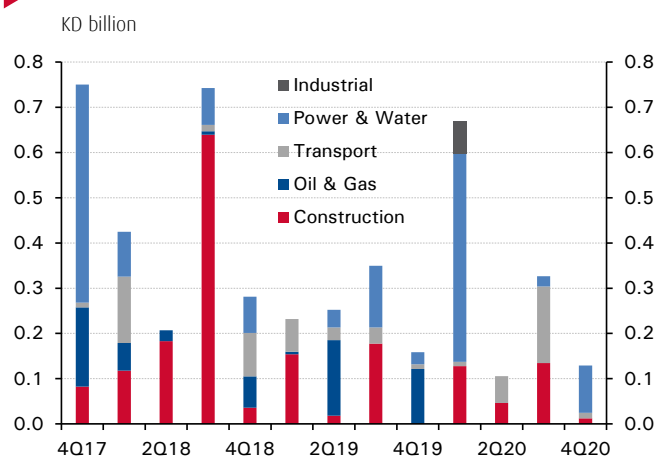
### Highlights

- Total awards in 2020 stood at KD 1.23 billion, up from 2019's KD 0.99 billion, but still falling short of expectations.
- KD 3.4 billion worth of projects are planned for 2021, mostly in the construction sector, but given the recent trend of delays and setbacks, it is likely that a smaller figure will materialize.
- The power and water sectors led project awards in 2020 with KD 588 million.

### Project awards fall short in 2020 but may rise this year

The pace of project awards eased to KD 129 million in 4Q20, down 18.5% compared to the same period last year. The value of total projects awarded in 2020, a year heavily affected by the coronavirus pandemic, reached KD 1.23 billion helped by the boost in project activity in 1Q20, with nearly KD 670 million awarded. Although awards were higher than 2019 (KD 0.99 billion), they fell short of initial expectations. (Chart 1.) The bulk of project awards in 2020 were in the power and water sectors (KD 588 million), followed by the construction sector (KD 322 million) and the transport sector (KD 250 million). (Chart 2.)

▶ **Chart 1: Quarterly project awards**



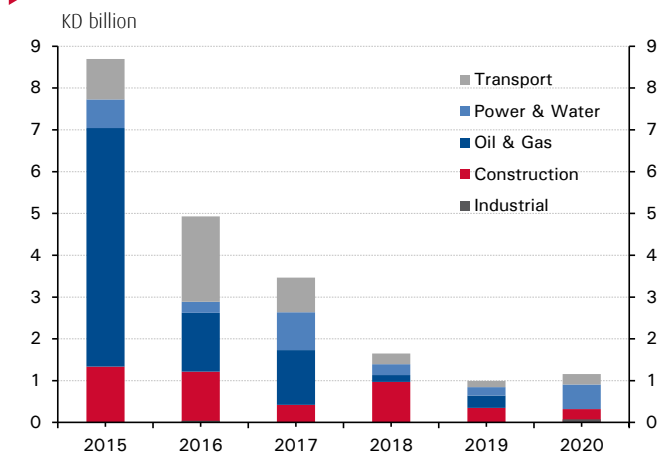
Source: MEED Projects, as of January 13

According to Middle East Economic Digest (MEED) Projects, some KD 3.4 billion worth of projects are planned for 2021, mostly in the construction sector, but given the recent trend of delays and setbacks, it is likely that a smaller figure will materialize. A large proportion of expected 2021 project awards hinges on the construction sector's MPW's Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A (KD 271 million) and the gas sector's KOC

Jurassic Non-Associated Phase 2: JPF 4&5 Off-plot & Production Facilities (KD 270 million).

However, according to a recent report by MEED, projects in the tendering phase may face further delays due to the government's resignation in January and the time it takes for the new cabinet to settle in. Meanwhile, with the economy undergoing only a partial recovery so far the projects market is likely to remain subdued, including projects that are part of the development plan, which is experiencing delays. (Chart 3.)

▶ **Chart 2: Annual project awards**



Source: MEED Projects, as of January 13.

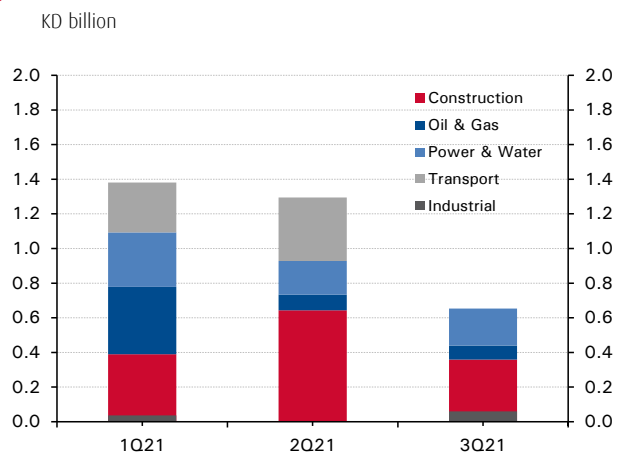
### Projects Awards by Sector

#### Transport

The transport sector saw relatively weak activity in 4Q20, with only about KD 12 million (down nearly 92% q/q) from a single project award: The Ministry of Public Works (MPW) 6th Ring Road Motorway. Total annual awards stood at KD 250 million, mainly on account of the MPW's Kuwait Airport Expansion (new Passenger Terminal II: Landside Works, valued at KD 165 million, which was awarded in 3Q20.)

Notable upcoming projects include several MPW projects: The Regional Road South Part Project: Central Section (KD129 million); the Crossroads for New Passenger Terminal 2 at Maqwa Road (KD120 million); and the Northern Regional Road (KD99 million), scheduled for 1H21.

**Chart 3: Planned projects\***



Source: MEED projects, as of January 13, \*excludes awarded projects

### Construction

The construction sector witnessed little activity in 4Q20, with just about KD 13 million in awards from a single, standalone venture: the Public Authority for Sports (PAS) Jaber Mubarak Al-Hamad Al-Sabah Stadium. Meanwhile, total 2020 construction sector awards stood at KD 322 million, down 8% from 2019. According to MEED, Kuwait's construction sector has been in recession since 2017, long before the Covid-19 pandemic began to disrupt business. Looking ahead, the sector is poised for a recovery in 2021, with about KD 1.4 billion in planned awards, 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 several smaller scale projects.

### Power and Water

The power and water sectors saw modest activity in 4Q20, with KD 105 million awarded. This accounted for about 80% of total fourth quarter awards. The awards came from the Ministry of Public Works (MPW) - Network & Water Treatment Tanks (KD76 million) and the Public Authority for Welfare and Housing (PHAW) South Al Mutlaa Main Transformer Stations (KD29 million). Annual project awards totaled KD 588 million in 2020, representing 48% of total awards, making it the leading sector by value of projects awarded. More than half of total awards came from KAPP and MPW Umm al-Hayman Wastewater Treatment Plant Expansion, valued at KD 420 million, awarded in 1Q20. Activity should hold steady in the power and water sectors this year, with KD 723 million in awards expected in the first three quarters of 2021. Notable upcoming projects include MPW - Wastewater Treatment Plant in South Al-Mutlaa Area (KD149 million), scheduled for 1Q21, and the Ministry of

Electricity and Water (MEW) Doha Desalination Plant Phase 2 (KD130 million), planned for 3Q21, as well as several parts of PAHW's Extension & Maintenance of 132kV Ground Cables at Al Mutlaa city (KD36 million), also scheduled for 1Q21.

### Oil, gas and chemicals

Kuwait's oil and gas sectors were hard hit by the pandemic fallout. The sectors saw no project awards in 2020, likely due to lockdown restrictions and as project owners reassessed projects' future prospects and validities in light of lower oil demand and lower oil prices, which hindered project progress. However, there have been signs that Kuwait is finding ways to make progress on projects in its oil and gas sector, despite the ongoing pandemic. The sector is likely to witness some activity in 1Q21 with about KD 390 million in planned project awards, a large portion of which is contingent on Kuwait Oil Company's (KOC) Jurassic Non-Associated Phase 2: Off-plot & Production Facilities, valued at KD 270 million. In addition, several smaller scale projects are in the pipeline for 2021, including KOC's Enhancement of Booster Stations (KD 72 million), now planned for 3Q21 (previously 1Q21).

Kuwait's chemical sector has seen little 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.

▶ **Table 1: 2021 major planned projects**

| Project Name  | Sector       | Value (KD million) | Expected Award |
|---|--------------|--------------------|----------------|
| MPW - Crossroads for New Passenger Terminal 2 at Maqwa Road                   | Transport    | 120                | 2Q21           |
| MPW - Regional Road South Part Project: Central Section                       | Transport    | 129                | 2Q21           |
| MEW - Doha Desalination Plant Phase 2   | Water        | 130                | 3Q21           |
| KAPP / Kuwait Municipality - South Al-Jahra Labour City                       | Construction | 149                | 2Q21           |
| MPW - Wastewater Treatment Plant in South Al-Mutlaa Area                      | Water        | 149                | 1Q21           |
| KOC - JPF 4 & 5 Off-plot Works & Production Facilities: Production Facilities | Gas          | 270                | 1Q21           |
| MPW - Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A                  | Construction | 271                | 3Q21           |

Source: MEED projects, as of January 13

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