

Kuwait: Project awards pick up in 3Q as lockdown measures ease

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Highlights

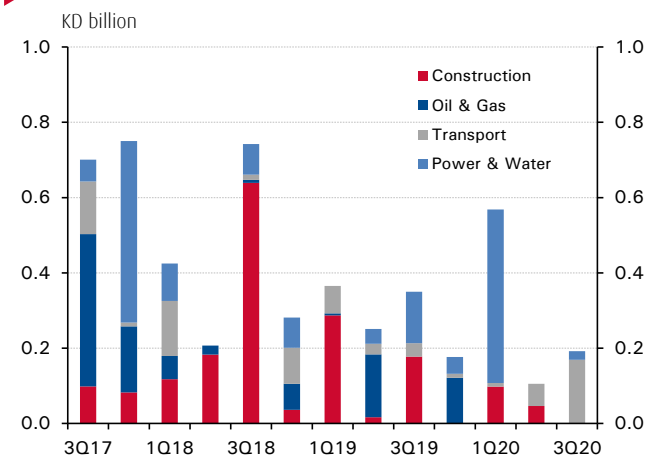
- The value of project awards increased almost 82% q/q to KD 192 million in 3Q20.
- Projects awarded were transport and power/water-related; no oil/gas or construction projects were signed.
- KD 2.1bn worth of awards were penciled in for 2020, however, we expect a smaller figure to materialize.

Project awards gather pace in 3Q20, but still fall short of expectations

After reaching a multi-year low of KD 106 million in 2Q20, a quarter that saw business activity heavily impacted by the coronavirus pandemic, the value of project awards increased nearly 82% q/q in 3Q20 to reach KD 192 million. This is still modest by previous standards, however, and is 45% lower than the KD 350 million worth of projects approved in 3Q19. (Chart 1). One project award from the Ministry of Public Works' (MPW), accounted for the bulk (86%) of total project awards in the quarter.

Total projects awarded in 2020 so far stand at KD 866 million (cumulative), with about KD 1.3 billion still planned for 4Q20. Should these materialize, which would be ambitious, the value of 2020 project awards would come in at KD 2.1 billion, according to MEED, almost twice as much 2019's KD 1.1 billion. The relatively good performance this year is due in part to substantial project awards in the first quarter which preceded the Covid-19 restrictions.

Chart 1: Quarterly project awards

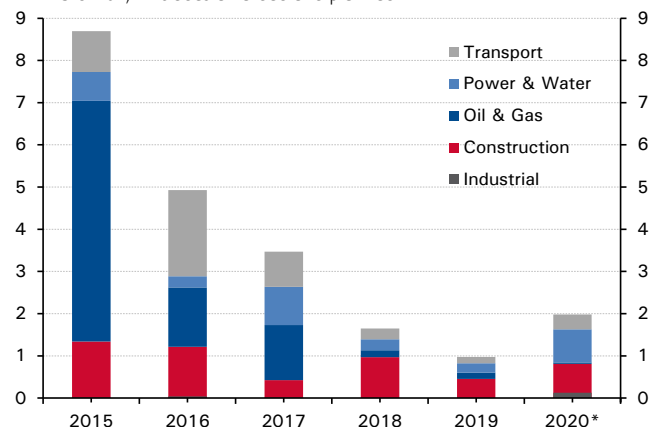


Source: MEED Projects, as of October 1

However, with the economy experiencing only a partial recovery so far the projects market is likely to remain subdued; only projects essential to the development plan are likely to be prioritized. (Chart 3.)

Chart 2: Annual project awards

KD billion, *includes awarded and planned



Source: MEED Projects, as of October 15.

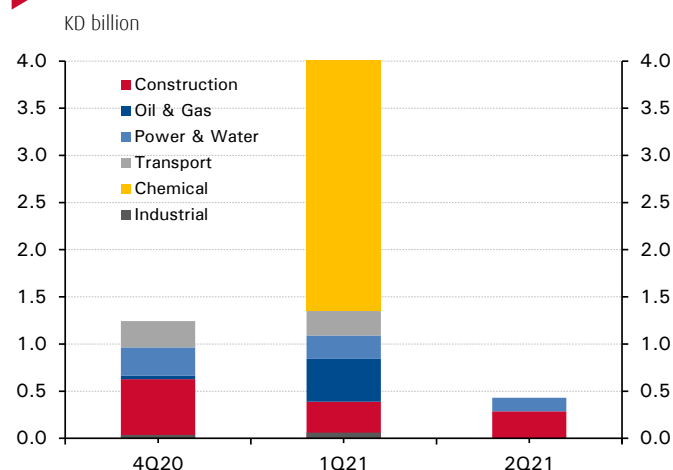
Projects Awards by Sector

Transport

The transport sector accounted for the bulk of project activity in 3Q20, with several projects being awarded, the largest of which is the Ministry of Public Works' (MPW) Kuwait Airport Expansion: New Passenger Terminal II (landslide works) at KD 165 million. Looking forward, about KD 280 million worth of projects is planned for 4Q20, including two parts of MPW's Northern Regional Roads (KD 189 million). (Chart 4)

Notable upcoming projects in the first quarter of 2021 include MPW's Northern Regional Road (from Abdaly Expressway to Future Crossroads) and the Regional Road South Part Project (Central Section) valued at KD 75 million and KD 129 million, respectively.

Chart 3: Planned projects*



Source: MEED projects, as of October 15, *excludes awarded projects

Construction

The construction sector saw no activity in 3Q20, but is due to pick up in 4Q20 with several project awards worth about KD 628 million in the pipeline. The Jaber Al Ahmed township development (J2 & J3) project, valued at KD 202 million, is one. Also, several parts of the Sabah Al Ahmed Township, worth KD 231 million, are also planned for 4Q20. Looking ahead, some KD 675 million worth of projects are scheduled for 1H21, but we expect a smaller figure to materialize given the pace of project activity. Upcoming construction sector awards include Kuwait Authority for Partnership Projects (KAPP) and Kuwait Municipality's South Al-Jahra Labour City (KD 148 million) and Ministry of Public Works (MPW) Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A (KD 271 million).

Power and Water

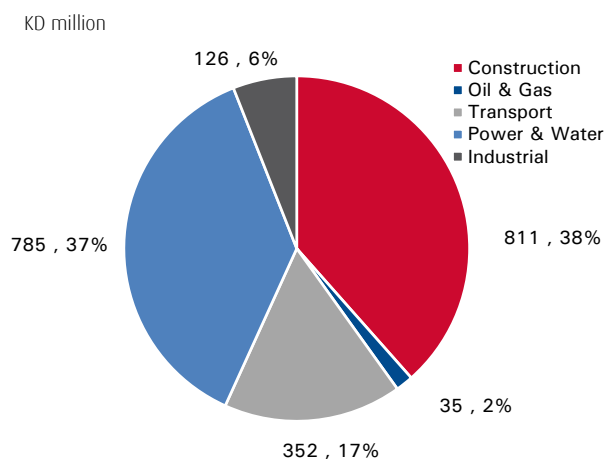
The power and water sectors saw little activity in 3Q20, with two of the Public Authority for Housing and Welfare's (PAHW) Secondary Transformer Stations at South Al Mutlaa contracts awarded at KD 23 million. Only modest activity is expected in the fourth quarter, with several smaller scale projects coming to fruition, including the Ministry of Electricity and Water's (MEW) Fresh Water Pipeline from the Abdullah Water Distribution Complex and the PAHW's South Al Mutlaa Main Transformer Station project at KD 45 million and KD 39 million, respectively. According to MEED, activity should hold steady in the power and water sectors, with a total of KD 393 million expected in 1H21. Notable upcoming projects include the Ministry of Public Work's (MPW) Wastewater Treatment Plant in South Al-Mutlaa Area (KD 149 million) and the Ministry of Electricity and Water's (MEW) Doha Desalination Plant (Phase 2) (KD 130 million), scheduled for 1Q21 and 2Q21 respectively.

Oil, gas and chemicals

Many of Kuwait's oil sector projects have been either delayed or put on hold, with the ongoing coronavirus pandemic raising some uncomfortable questions about the present and future state of global oil demand. According to MEED, the oil and gas sectors were the hardest hit among Kuwait's sectors, such that there has yet to be a project awarded this year. Kuwait Oil Company's (KOC) - JPF 4 & 5 Off-plot Works & Production Facilities: North Area Off-plot Works (KD 35 million), which has been pushed from 3Q20, is the only award expected this quarter. Nevertheless, a break in the clouds could be on the horizon in early 2021 with KD 455 million of project awards expected. Admittedly, more than half of that figure hinges on KOC's - JPF 4 & 5 Off-plot Works & Production Facilities: Production Facilities (KD 270 million). In addition, several smaller scale projects are in the pipeline for 1Q21, including KOC's Enhancement of Booster Stations BS-140 & BS-150 (KD 72 million) and the Jurassic Light Oil Early Production Facility (EPF) (KD 45 million).

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 2021. Further delays cannot be ruled out, though.

Chart 4: 2020* Project Awards Breakdown by Sector



Source: MEED projects, as of October 15, *includes both expected and awarded projects

▶ **Table 1: 4Q20 and 1H21 major planned projects**

Project Name	Sector	Value (KD million)	Expected Award
KOC - Mina Al-Ahmadi Township Redevelopment: Phase 2.2	Construction	129	4Q20
KAPP / Kuwait Municipality - South Al-Jahra Labour City	Construction	148	1Q21
MPW - Wastewater Treatment Plant in South Al-Mutlaa Area	Water	149	1Q21
PAHW - Jaber Al Ahmed Township: Residential & Retail Development (J3)	Construction	153	4Q20
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	2Q21
KIPIC - Al Zour Petrochemical Complex: Package 1, 2 & 3	Chemical	2,850	1Q21

Source: MEED projects, as of October 15

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