

Kuwait: Project awards decline in 2Q amid government lockdown

Highlights

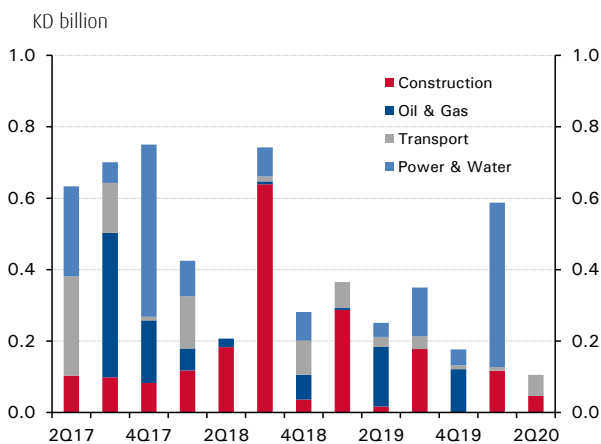
- The value of projects awarded in 2Q20 fell to a historic low of KD 110 million due to the coronavirus lockdown.
- Projects awarded were construction and transport-related; no oil/gas or power/water projects were signed.
- Total expected 2020 awards currently stand at KD 2.8 bn, however we expect a smaller figure to materialize.

Project awards fall short of expectations in 1H20, but may gather pace in 2H20

The lockdown measures enacted in Kuwait from March to June to deal with the coronavirus pandemic took a toll on Kuwait's projects market. The value of projects awarded in 2Q20 reached a historic low of KD 110 million, falling more than 81% from the KD 588 million worth of projects approved in the first quarter of the year and 57% down on the same period in 2Q19. (Chart 1.) One project award, the Ministry of Public Works' (MPW) Al-Ghouse Road project, accounted for more than half of the 2Q20 total, at KD 59 million.

Total awards by the end of 1H20 stood at KD 693 million, twice the value of 2019's awards and just under a quarter of the nearly KD 3 billion worth of projects that were due to be approved in 2020. (Chart 2.)

Chart 1: Quarterly project awards



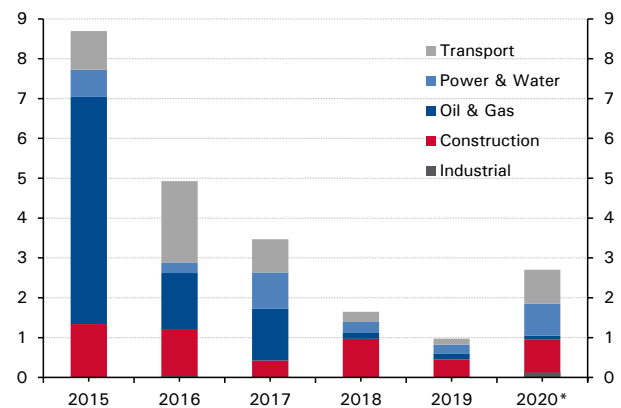
Source: MEED Projects, as of July 21

However, fiscal constraints in the wake of the pandemic will make the revised figure of KD 2.8 billion of mostly construction and transport-related projects in the second half of this year

difficult to achieve. A small pick-up is expected given the gradual easing of restrictions, but only projects deemed essential to the development plan will likely be prioritized. (Chart 3.)

Chart 2: Annual project awards

KD billion, *includes awarded and planned



Source: MEED Projects, as of July 21.

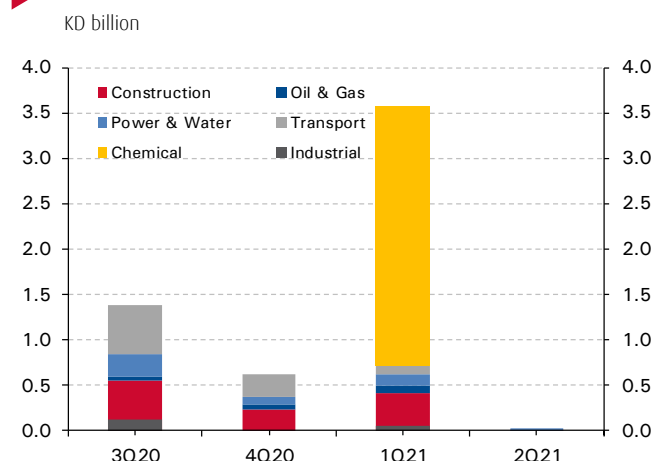
Projects Awards by Sector

Transport

The transport sector saw modest activity in 2Q20, with a single project awarded: the KD59 million Ministry of Public Works' (MPW) - Al Ghouse Road (from 7th Ring Road to Fahaheel-Ahmadi Road). Looking ahead, about KD 780 million worth of projects were planned to be awarded, about 30% of total project awards for 2020. (Chart 4).

Notable upcoming projects in 2H20 include MPW - Kuwait Airport Expansion: New Passenger Terminal II: Landside Works (KD 270 million) and several parts of the Northern Regional Roads project (KD 189 million).

Chart 3: Planned projects*



Source: MEED projects, as of July 21, *excludes awarded projects

Construction

The construction sector saw some project activity in 1H20, with several parts of the United Real Estate - Hessah Al Mubarak project (KD 61 million).. Additionally, KD 23 million was awarded to the US Army Corps of Engineers - Kuwait Job Order Contract. Looking forward, KD 795 million worth of projects are scheduled for 2H20, but we expect a smaller figure to materialize given the current pace of project activity. Upcoming construction sector awards include several parts of the Public Authority for Housing and Welfare (PAHW) - Jaber Al Ahmed Township and Sabah Al Ahmed Township, valued at KD 225 million and KD 290 million, respectively.

Power and Water

The Power and Water sectors saw no activity in 2Q20, largely due to pandemic measures. However, earlier this year, another Kuwait Authority for Partnership Projects (KAPP) came to fruition after facing technical challenges and complexities of public private partnerships in the past. Awards included KAPP/ Ministry of Power and Water (MPW) Umm Al-Hayman Wastewater Treatment Plant Expansion, awarded in 1Q20 and valued at KD 420 million. Activity should hold steady in the Power and Water sectors, according to MEED, with a total of KD 338 million expected in 2H20. Kuwait National Petroleum Company's (KNPC) Al Dibdibah Solar PV Power Plant in Shagaya Renewable Energy Complex (KD 360 million) was scheduled to be awarded in 4Q20, but a decision was made to cancel the project due to the coronavirus pandemic and its impact on the global oil and financial markets.

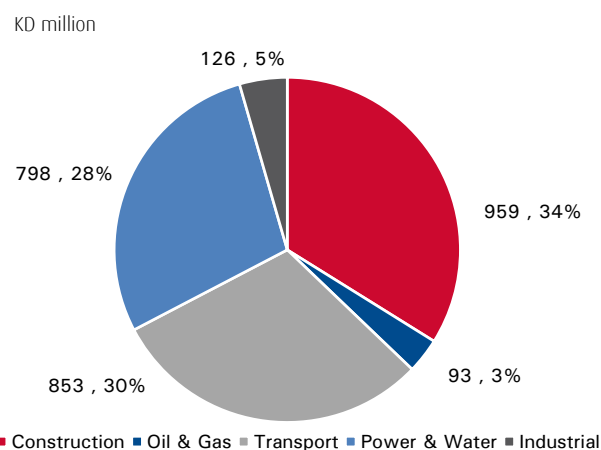
Oil, gas and chemicals

While there were no oil and gas projects awarded in 1H20, some activity is expected in the second half of the year, with around KD 93 million planned for 2H20, according to MEED Projects. The global energy sector was profoundly hit by Covid-19, in terms of oil demand destruction due to impaired mobility and economic stasis and steep drops in oil prices. As a result, many of Kuwait's

oil and gas sector projects have either been delayed or put on hold. This includes delays in the expansion of the Mina Al-Ahmadi refinery and the commissioning of the Al-Zour refinery. On a positive note, several smaller scale projects are expected to be awarded in 2H20, including the Kuwait Oil Company (KOC)-Jurassic Production Facilities Off Plot Works: North Areas (KD 35 million) project and the KOC - Installation of New LP Gas Ring Header at Shuaiba (KD 14 million) and Jurassic Light Oil Early Production Facility (EPF) (KD 45 million) projects, scheduled for 3Q20 and 4Q20, respectively.

According to MEED's figures, Kuwait's typically quiet chemical sector should see some much-anticipated movement in early 2021, thanks to the Kuwait's Integrated Petroleum Industries Company (KIPIC) - Al Zour Petrochemical Complex. The KD 2.85 billion megaproject, previously planned for 4Q20 is now expected to be awarded in 1Q21. However, a recent change in the status of the project reveals that the client is planning to repeat the feasibility studies to evaluate the project's profitability due to the impact of the coronavirus outbreak. Further delays on this project are expected.

Chart 4: 2020* Project Awards Breakdown by Sector



Source: MEED projects, as of July 21, *includes both expected and awarded projects

▶ **Table 1: 2H20 and 1H21 major planned projects**

Project Name	Sector	Value (KD million)	Expected Award
KOC - Mina Al-Ahmadi Township Redevelopment: Phase 2.2	Construction	129	3Q-2020
KAPP / Kuwait Municipality - South Al-Jahra Labor City	Construction	149	1Q-2021
MPW - Regional Road South Part Project: Central Section	Transport	225	4Q-2020
MPW - Kuwait Airport Expansion: New Passenger Terminal II: Landside Works	Transport	270	3Q-2020
MPW - Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A	Construction	271	4Q-2020
KIPIC - Al Zour Petrochemical Complex: Package 1, 2 & 3	Chemical	2,850	1Q-2021

Source: MEED projects, as of July 5

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