

Projects

Kuwait: Projects eased in 1Q18 on delays; a softer 2018 is anticipated

Project awards eased in the first quarter of 2018, as award dates were pushed out to later in the year. Awarded projects amounted to KD 614 million in 1Q18, falling below the 2017 quarterly average of KD 1 billion, according to data from MEED Projects. (Chart 1.) The largest contribution came from the transport sector. Five awards in the transport sector added KD 283 million for the quarter, two of which were of the anticipated regional road projects. Construction picked up from the prior quarter, but not as much as anticipated, with a KD 161 million tally from seven contracts.

As for the rest of 2018, award activity may fall slightly below the 2017 level. The construction sector is expected to be the largest contributor, bringing in up to KD 1.8 billion in contract awards (Chart 2). Transport projects may witness more delays than anticipated due to the restructuring of the Public Authority for Roads and Transportation (PART), the government agency responsible for the tendering of these projects.

Transport

The transport sector showed signs of recovery in 1Q18, propped up by road deals and infrastructure works. As anticipated, two of the regional road projects had been awarded. Deals that included a subproject of the Regional Road South along with the Northern Regional Road from Abdaly Expressway to Future Crossroads (a combined KD 139 million) propped up the transport sector in 1Q18, after a subdued 4Q17 (Chart 1). The Public Authority for Housing Welfare (PAHW) awarded three contracts for infrastructure works on housing plots in South Al-Mutlaa and South Al-Abdullah Al-Mubarak.

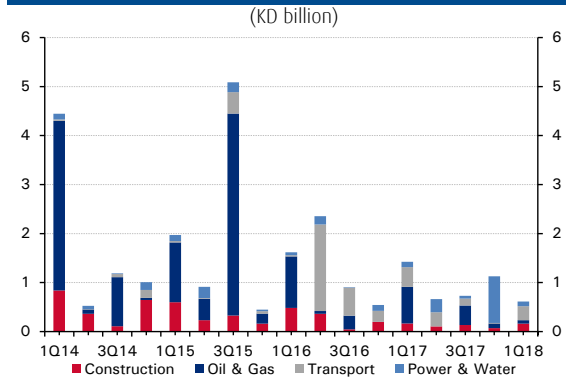
The sector may face headwinds in the coming quarters due to possible restructuring of government authority for land-based transport projects. The Ministry of Public Works (MPW) is currently reviewing the mandate of the Public Authority for Roads and Land Transport (PART). Created in 2014, PART oversees the operations, management, and planning of land-based transport assets and projects. This may cause delays as Kuwait's parliament cited inconsistencies in the transfer of responsibilities between the different government agencies. Among the projects that have been transferred to PART from MPW and the Ministry of Communications are the national railroad and metro public private partnership tenders in 2016/2017.

In the coming quarters, up to KD 780 million in transport contracts are expected. MPW is expected to award five additional contracts this year, most of which are related to the northern and southern sections of the regional road projects, all currently in the bidding phase. In addition, there are projects from the Kuwait Oil Company, Kuwait University, as well as PAHW.

Construction

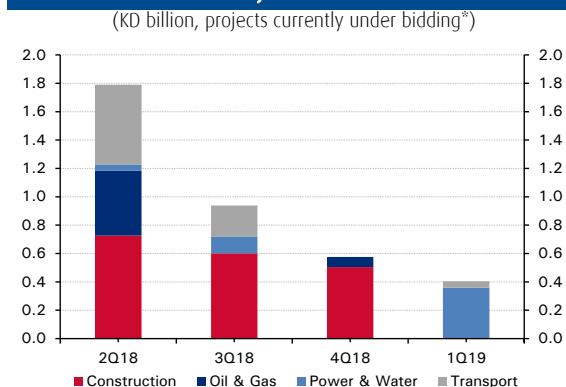
Construction sector awards picked up in 1Q18, exceeding KD 160

Chart 1: Awarded projects



Source: MEED Projects

Chart 2: Projects awards outlook



Source: MEED Projects. *As of April 2, 2018.

million for the first time in three quarters. The sector saw awards of seven contracts, three of which were awarded by the PAHW, two by the MPW, and the rest from private sector firms. Most of the contracts, however, were relatively small in size with only two above KD 30 million.

The construction sector is expected to lift project awards this year, with up to KD 1.8 billion in anticipated deals for 2018. Deals that are currently in the bidding phase include PAHW's Jahra and Sulaibiya Low-Cost Housing City (KD 470 million), the National Guard's Kazema Camp (KD 300 million), as well as three private-public partnership (PPP) projects. The Kuwait Authority for Partnership Projects is tendering a first of its kind (regionally) Schools Development Program project (KD 20 million). Though small, this PPP project is significant in that it signals the start of private involvement in the public education sector as well as broadens the sphere of PPP projects.

Power & Water

Power and water show subdued activity in the 1Q18, with awards of small-scale projects. Four contracts were awarded, three of which were in the power sector, though they were minor in size. The single water contract was awarded by the MPW, related to water treatment tanks and worth KD 77 million.

Contract awards in the power and water sector will be less than anticipated as a major solar project has been scheduled for early 2019. The Dibdibah solar PV power plant project, in the upcoming Shagaya renewable energy complex, had been expected to be signed by 2018, but the prequalification process for the main contract is still taking place. The award and final signing of the contract is now anticipated for early 2019. The Dibdibah plant is expected to be worth up to KD 360 million.

Oil & Gas

Activity in the oil and gas sector maintains the subdued pace witnessed in previous quarters. As expected, oil and gas activity has remained quiet so far after strong performances in the prior years. With awards of just KD 70 million, the slowest in three quarters, the oil and gas sector is not expected to witness more than KD 500 million in awards this year.

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