GCC PROJECTS MARKET OUTLOOK 2018

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Table of Contents

	Section	Page
1	Preface	5
2	Executive Summary	7
3	Macroeconomic Context	9
4	The Historical Context	19
5	Top Clients and Contractors	37
6	2017 in Review	44
7	Future Outlook	54

Figures & Tables

Figure/ Table	Title	Page
Figure 1	US average annual crude oil prices 1971-2017	10
Figure 2	Cushing, OK WTI spot price FOB, 2016-17	11
Figure 3	World Bank and IMF oil price forecasts	12
Figure 4	GCC fiscal breakeven oil price	13
Figure 5	GCC government revenues	14
Figure 6	GCC nominal GDP	15
Figure 7	GCC government expenditure	16
Figure 8	GCC government lending/borrowing	17
Figure 9	GCC total contract awards, 2007-17	20
Figure 10	Number and average size of contracts	21
Figure 11	GCC contract awards vs. the oil price	22
Figure 12	GCC contract awards, 2012-17	23
Figure 13	Number and average size of GCC contracts by country, 2012-17	24
Figure 14	Contract awards by sector, 2012-17	25
Figure 15	Number and average value of contracts by sector, 2012-17	26
Figure 16	GCC country and sector contract awards, 2012-17	27
Figure 17	GCC contracts by selected region, 2012-17	28
Figure 18	GCC civil construction sector contracts breakdown, 2012-17	29
Figure 19	GCC utilities sector contract awards breakdown, 2012-17	30
Figure 20	GCC hydrocarbons contract awards by subsector, 2012-17	31
Figure 21	GCC contract awards by ownership type, 2012-17	32
Figure 22	GCC contract awards by ownership type and country, 2012-17	32
Figure 23	Value of GCC PPP projects awarded, 2012-17	33
Figure 24	Value of GCC PPP projects by sector, 2012-17	33
Figure 25	Number of build and design/build civil construction contracts, 2008-17	34
Figure 26	Actual GCC contract awards by quarter as a percentage of those planned to be awarded	35

Figures & Tables

Figure/ Table	Title	Page
Figure 27	Top awarded projects 2012-17	36
Figure 28	Top GCC civil contractors by value of work under execution	38
Figure 29	Top GCC utilities contractors by value of work under execution	39
Figure 30	Top GCC hydrocarbons contractors by value of work under execution	40
Figure 31	Top GCC civil construction clients by work under execution	41
Figure 32	Top GCC utilities clients by work under execution	42
Figure 33	Top GCC hydrocarbons clients by work under execution	43
Figure 34	GCC contract awards 2016 vs. 2017	45
Figure 35	Value of GCC contract awards, 2017	46
Figure 36	2017 first half vs. 2017 second half comparison of GCC contract awards	48
Figure 37	Comparison of GCC awards by sector 2016-17	49
Figure 38	GCC contract cash flow values, 2008-20	50
Figure 39	GCC contract awards by selected urban area, 2017	51
Figure 40	Top awarded Dubai 2017 projects	55
Figure 41	Top awarded GCC projects 2018 YTD	57
Figure 42	Selected new GCC projects announced in 2018	58
Figure 43	Bahrain contract award forecast, 2018-22	60
Figure 44	Selected top Bahrain projects scheduled for award, 2018	61
Figure 45	Bahrain future project pipeline breakdown by sector	62
Figure 46	Kuwait contract award forecast, 2018-22	63
Figure 47	Selected top Kuwait projects scheduled for award, 2018	64
Figure 48	Kuwait future project pipeline breakdown by sector	65
Figure 49	Oman contract award forecast, 2018-22	66
Figure 50	Selected top Oman projects scheduled for award, 2018	67
Figure 51	Oman future project pipeline breakdown by sector	68
Figure 52	Qatar contract award forecast, 2018-22	69
Figure 53	Selected top Qatar projects scheduled for award, 2018	70

Figures & Tables

Figure/ Table	Title	Page
Figure 54	Qatar future project pipeline breakdown by sector	71
Figure 55	Saudi Arabia contract award forecast, 2018-22	72
Figure 56	Selected top Saudi Arabia projects scheduled for award, 2018	73
Figure 57	Saudi Arabia future project pipeline breakdown by sector	74
Figure 58	UAE contract award forecast, 2018-22	75
Figure 59	Selected top UAE projects scheduled for award, 2018	76
Figure 60	UAE future project pipeline breakdown by sector	77
Figure 61	GCC contract award forecast, 2018-22	78
Figure 62	Value of known planned and un-awarded GCC projects by country	79
Figure 63	Value of known planned and un-awarded GCC projects by sector	80
Figure 64	Future GCC construction projects sector breakdown by subsector	81
Figure 65	Future GCC utilities projects sector breakdown by subsector	82
Figure 66	Future GCC hydrocarbons projects sector breakdown by subsector	83
Figure 67	Top future civil construction clients by project pipeline	84
Figure 68	Top future utilities clients by project pipeline	85
Figure 69	Top future hydrocarbons clients by project pipeline	86

1 Preface

Preface

After a very disappointing 2016 when GCC annual contract awards fell to their lowest levels in more than a decade, expectations were high that 2017 would herald a much-needed improvement.

However, with the notable exception of Dubai, last year proved a disappointment, with contract awards at $120bn only marginally higher than the $118bn awarded in 2016. It seems the market has yet to turn a corner.

That said, the upward trend in oil prices since the start of 2018 is expected to provide some much needed impetus to the market during the second half of the year. For most sectors and countries the link between the crude price and project activity is clear, and therefore higher prices can only be a good thing as governments find themselves with more cash to spend. The overall future health of the market will thus depend on whether oil's bull run can be maintained and whether governments overcome their reluctance to increase capital their spending programmes.

Based on the pipeline of projects in the region, oil price projections, and macroeconomic growth, our forecast for the GCC states predicts a small increase in spending this year. However, it is becoming increasingly clear that a return to previous levels of spending is now unlikely in the medium term. The projects supply chain, which has already experienced two very leans years, will likely have to continue to wait for a significant improvement in the market's fortunes.

This report is aimed at providing clarity to firms preparing for the year ahead. Whether it is guidance on setting their budgets or strategies, or information on the value of projects to be awarded in the short and medium terms, the report provides the necessary quantitative data to enable companies to be better informed and prepared during these challenging times.

This report is based on data captured in April 2018 and has been prepared by MEED Projects, MEED's project tracking service. Providing real time project tracking on more than 15,000 active projects across the Middle East and North Africa region, MEED Projects is an essential tool for identifying project opportunities and undertaking analysis and research on the region's project market trends.

Ed James,

Director of Content & Analysis, MEED Projects; Report Author

Dubai, April 2018

2

Executive Summary

Executive summary

Report main findings

- After recording $118 billion worth of contract awards in 2016, the GCC projects market registered a marginal increase of just under $121 billion in 2017. This is in line with forecasts, but the small level of growth was a disappointment for the market as a whole which was hoping for more of a recovery
- Indeed, despite a large amount of positive rhetoric about increased levels of project spending, the value of work in Saudi Arabia, as well as Qatar and Kuwait, actually declined in the second half of last year
- The UAE, and Dubai in particular, is today by far the largest market in the region as it continues to remain immune to lower oil prices. It is aided by a strong private sector that is not dependent on government spending
- The outlook for 2018 is better is similar to 2017, with a small improvement in contract award levels expected. This is despite oil prices upwards of $70 a barrel as at the end of Q1 as the impact of these is not expected to be fully felt until 2019 at the earliest
- Our longer term forecasts for 2018-22 is for total GCC contract awards in a base-case scenario to settle between $110bn and $130bn, based on a slight increase in oil prices and continued economic growth, with the UAE remaining the largest projects market supported by a resurgent Saudi Arabia
- While the crude price is critical for the projects markets' fortunes, it is by no means the only factor governing market performance. Demographic and economic growth, government reforms and the participation of the private sector are also key to the market's future direction. Therefore, how well the GCC projects market performs in the long-run will be dependent on how successful each state is in evolving its projects sector by reforming procurement processes, harnessing private sector participation, and changing the regulatory environment to improve the viability of PPP-type projects

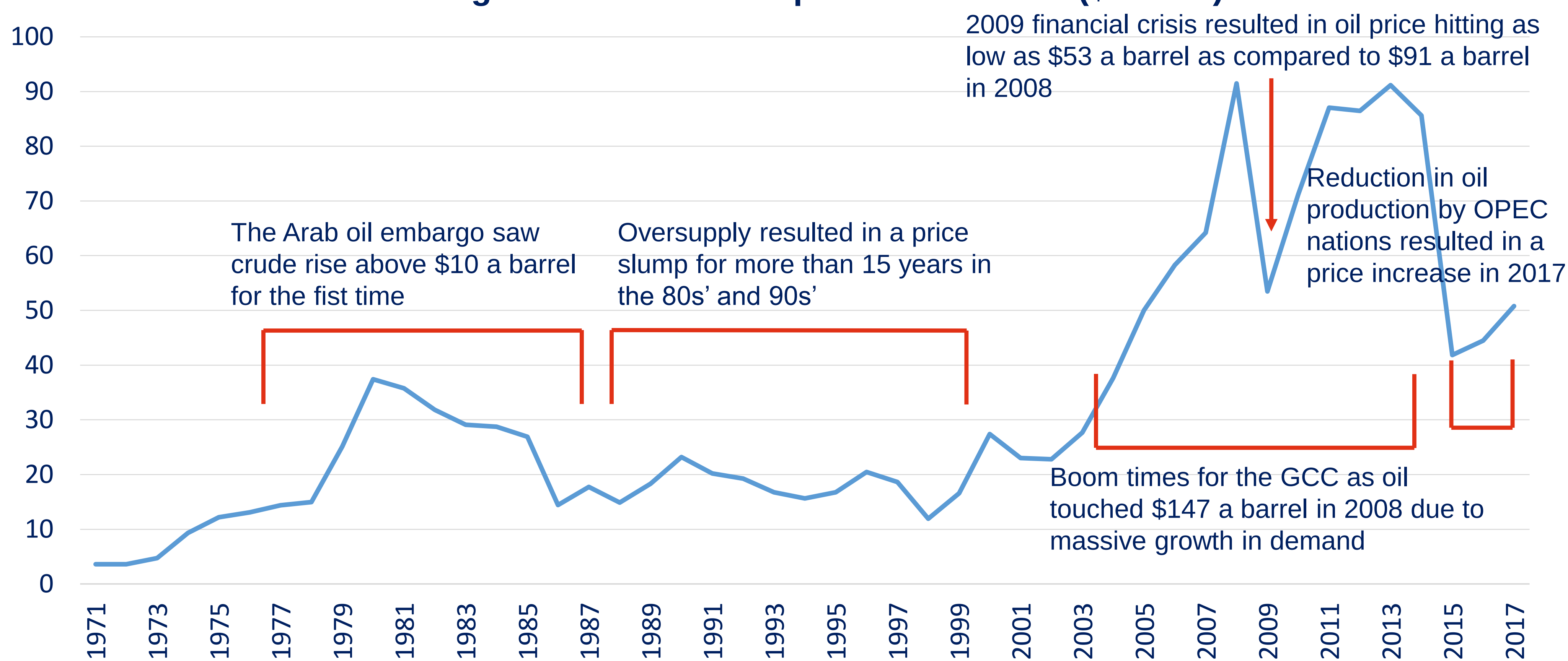
3

The Macroeconomic context

The Oil Price

Any macroeconomic or market analysis of the GCC projects must start with the oil price context. During the boom years, when oil averaged more than $100 a barrel, the governments of the GCC recorded high revenues. Today the oil price fluctuates between $50 and $75 a barrel and the GCC states have vastly reduced their spending as a result. The oil price witnessed an increase from 2016 to 2017 owing to the reduction in oil production by OPEC nations, improving global growth outlook coupled with growing global oil demand, reaching an average price of $50 per barrel in 2017 compared with $40 a barrel in 2015

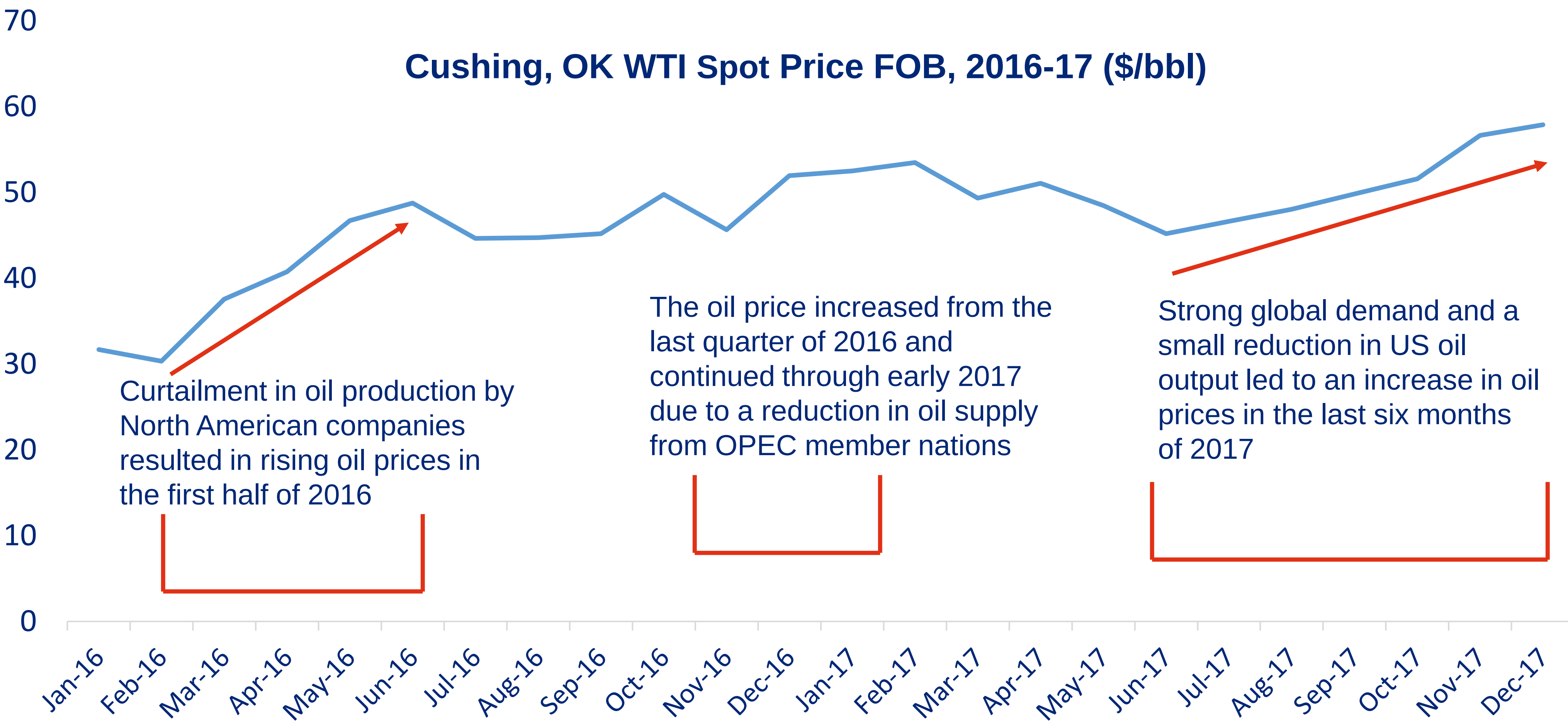
US average annual crude oil prices 1971-2017 ($ barrel)



Source: Inflationdata.com

Oil over the past 2 years

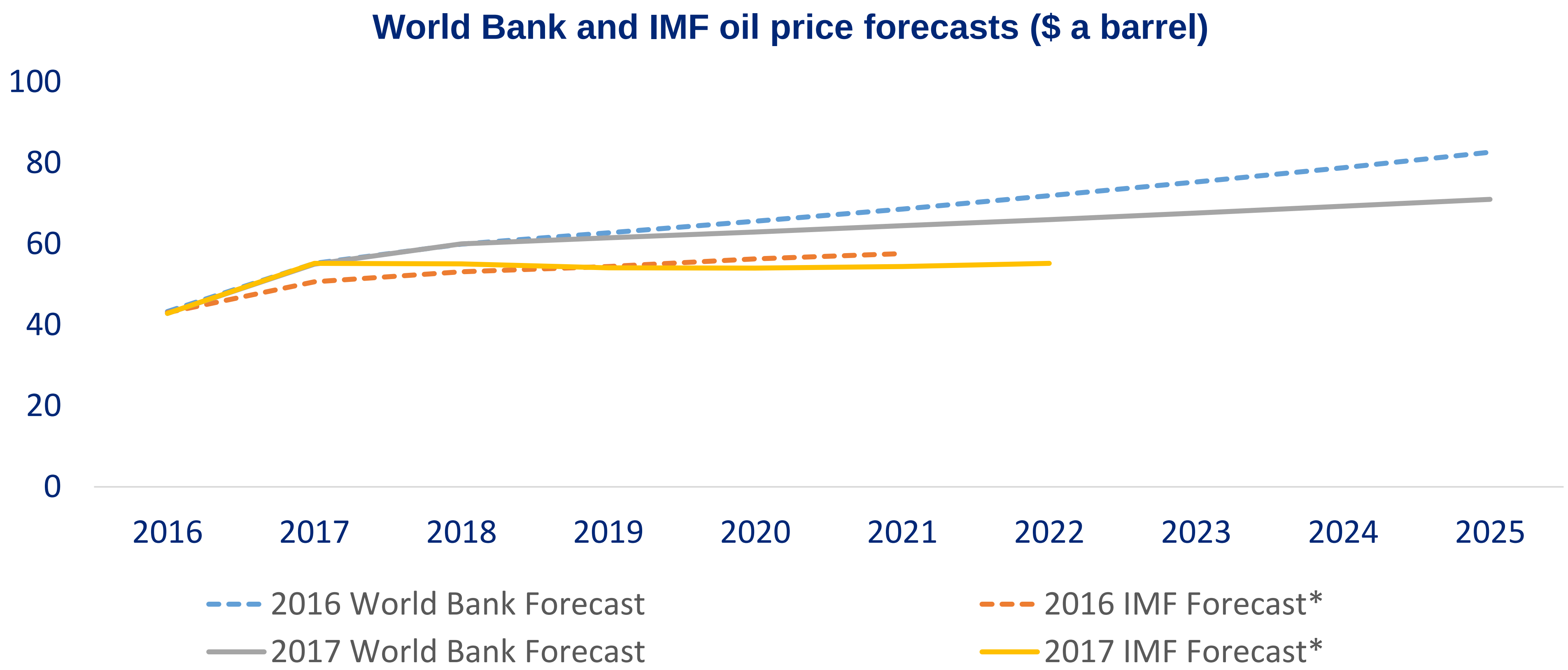
More recently, the OPEC pact among its major oil-producing members has resulted in a steady increase in oil prices over the past six months, boosting oil revenues and reducing the share of US shale oil producers in the market. The extension of the agreement through 2018 has led to a further tightening in oil supplies which resulted in crude approaching $75 a barrel at the end of Q1 2018. It appears that OPEC's 2014 gamble is beginning to pay off



Source: EIA

Oil Price Forecast

Both the IMF and the World Bank are forecasting growth in the oil price in the medium term, driven by growing oil demand, improved economic growth, and curtailment in supply by oil exporting countries. The oil price witnessed an increase in the second half of 2017 and is forecast to reach an average price of $49 a barrel and $56 a barrel in 2018 according to IMF and World Bank respectively, although given the current price of more than $70 a barrel as of late April, this may now appear to be underestimated. In 2022, the oil price is expected to reach an average mark of $53 a barrel with a gradual increase between 2018 to 2022

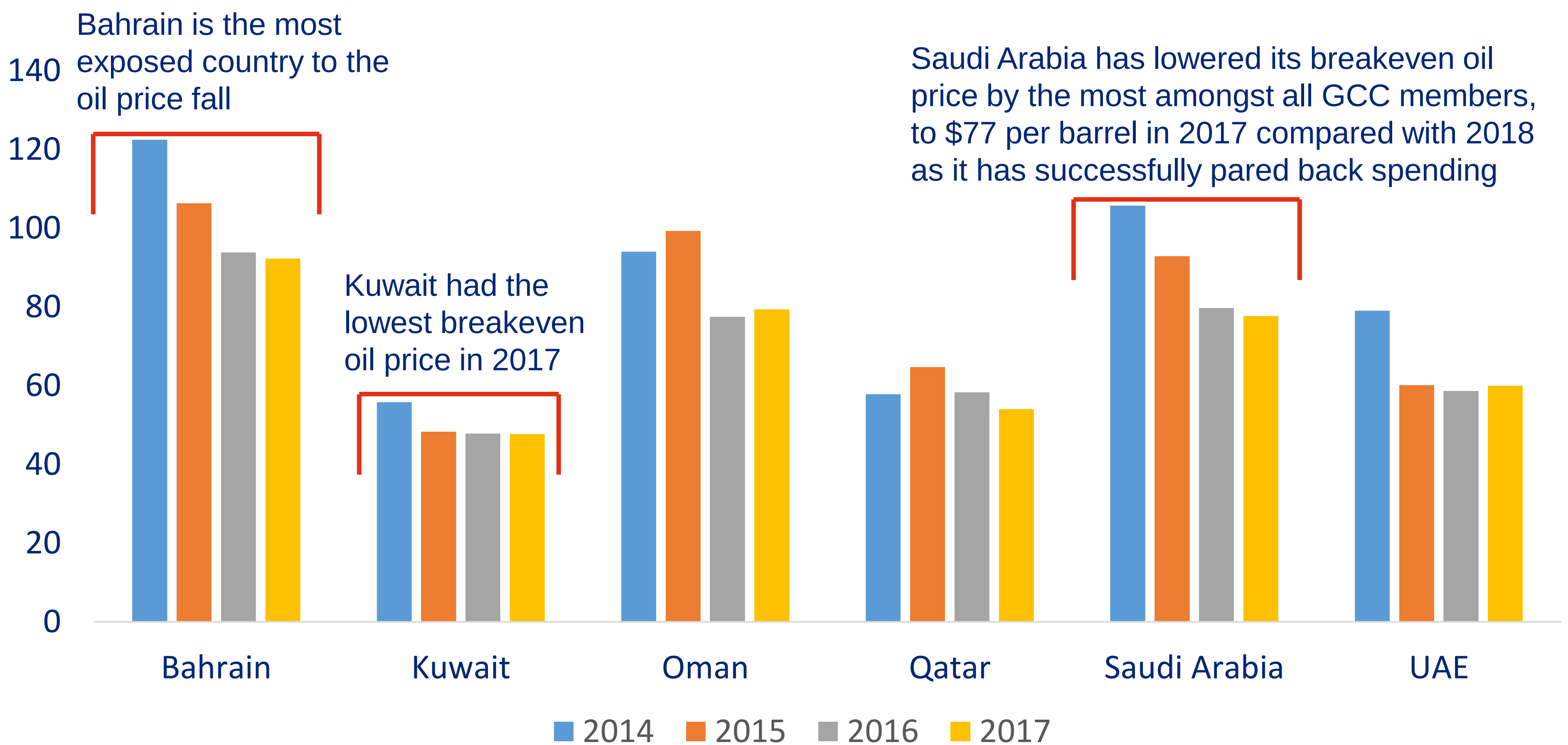


Source: World Bank; IMF *IMF data only covers period up to 2022

Fiscal breakeven points

The GCC countries generate about 80% of their revenues from sales of oil and oil-related products which makes them highly dependent on oil prices and its fluctuations. Fiscal consolidation efforts by GCC countries, including reduced government spending and increase in oil revenues due to the gradual increase in oil prices, resulted in a decline of fiscal breakeven oil prices in 2017 as compared to 2016. As the fiscal breakeven oil prices have fallen, the GCC nations are now focusing on increasing non-oil revenues from new sources to lower their dependence on oil, as well as reduce spending

GCC Fiscal Breakeven Oil Price ($ a barrel)

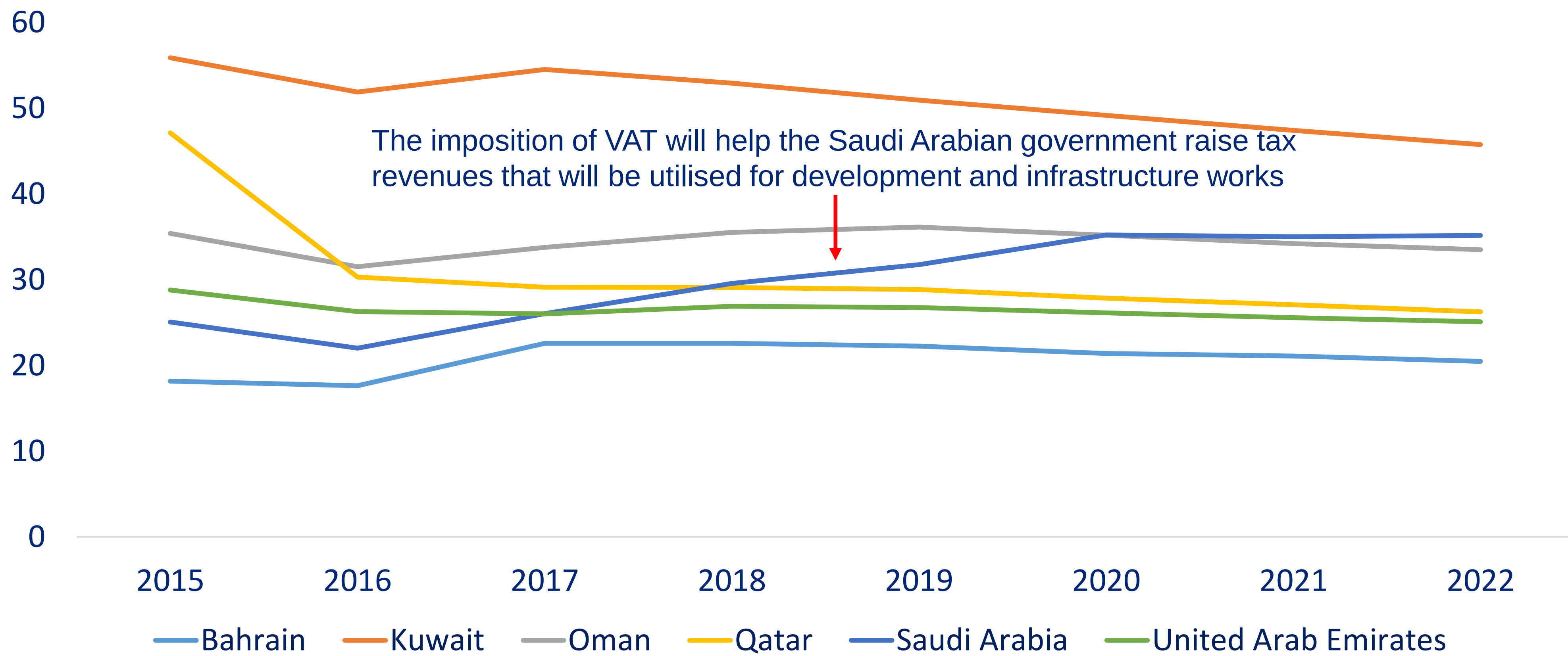


Source: IMF

Government revenues

Government revenues in GCC countries have fallen markedly as a result of diminishing oil sales. To reduce their dependency on oil and boost revenue, GCC governments have identified certain revenue reforms such as the introduction of excise taxes, value added tax (VAT) and business profit tax. The best example of this fiscal diversification effort has of course been the introduction of VAT in Saudi Arabia and the UAE. Other GCC states, however, are finding it a challenge to introduce taxation given the political implications such measures involve

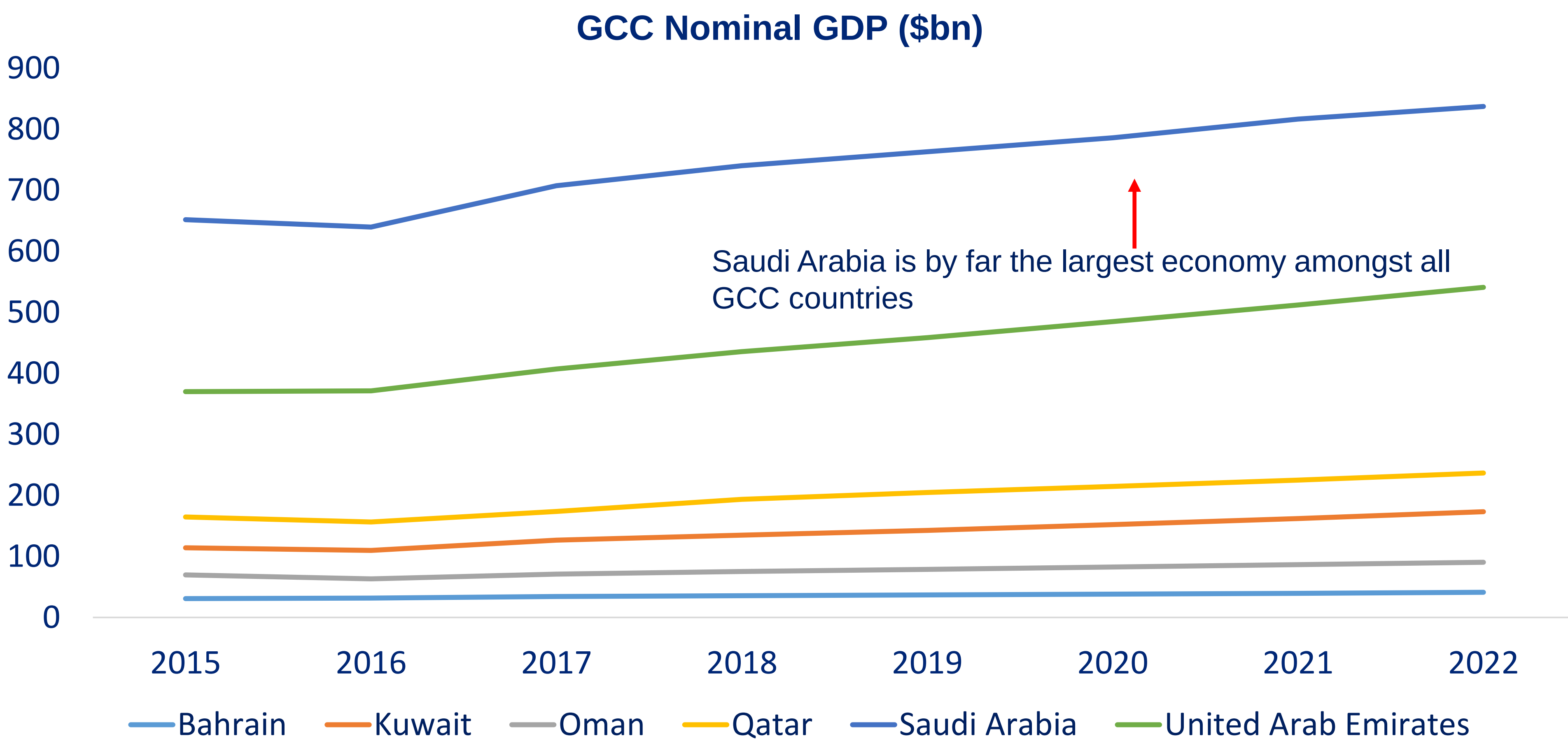
GCC government revenues (% of GDP)



Source: IMF

GDP

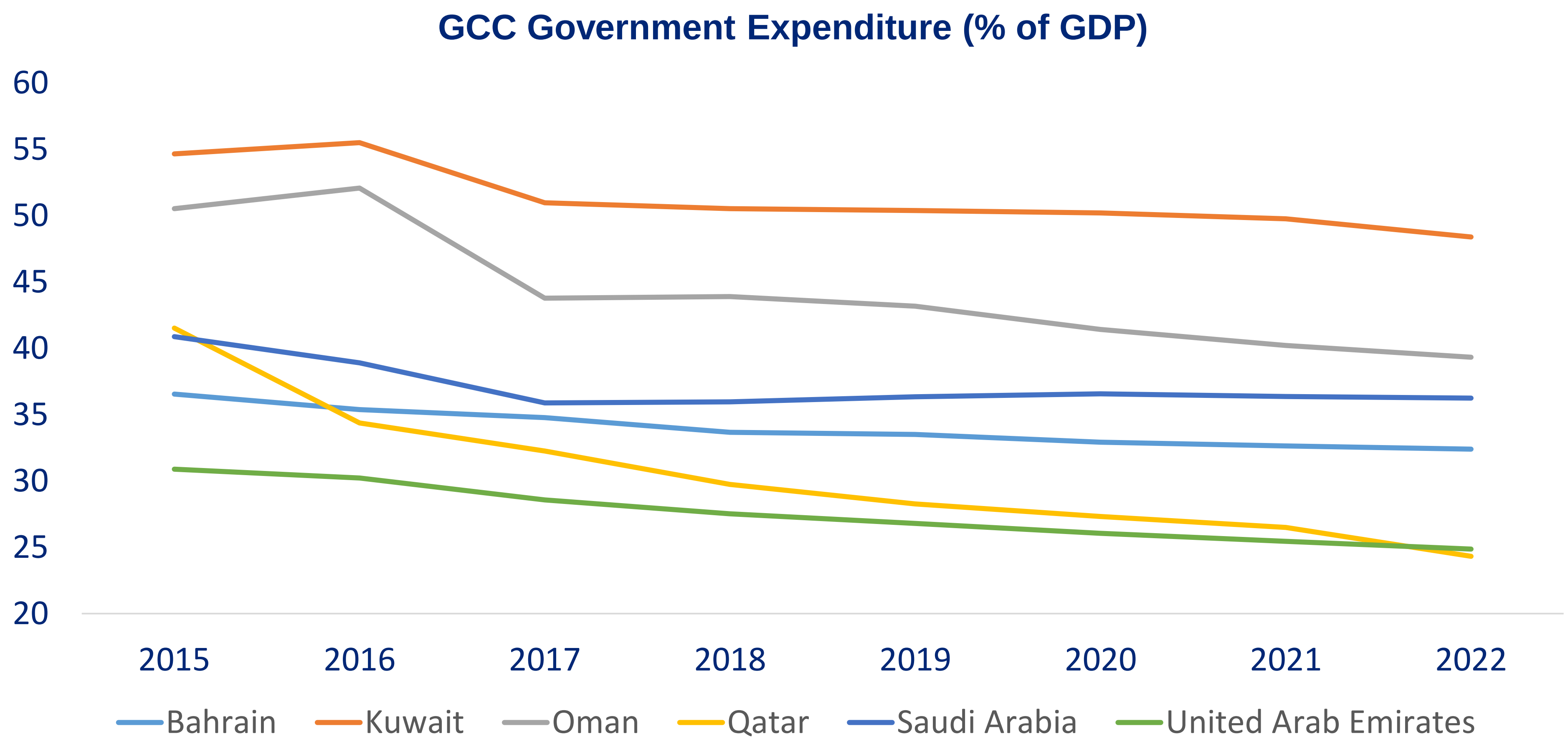
Falls in the oil price resulted in a sharp decrease in nominal GDP in 2016. But since then non-oil sector growth as well as increases in the crude price have seen an improvement in the overall economic position. On the back of the recent bullish oil price environment and economic reforms introduced by each member state, the IMF forecasts that most GCC nations will continue to exhibit strong growth over the medium term



Source: IMF

Expenditure

One of the most evident consequences of the oil price fall since 2014 has been the decline in government expenditure among the GCC states. For markets that are still generally high dependent on government spending, this has meant a steep decrease in projects spending, with overall capital investment falling by more than 40% between 2015 and 2017. Despite attempts to increase borrowing, explore PPP procurement models and other financing options, the projects market today is till considerably smaller than when oil was at more than $100 a barrel

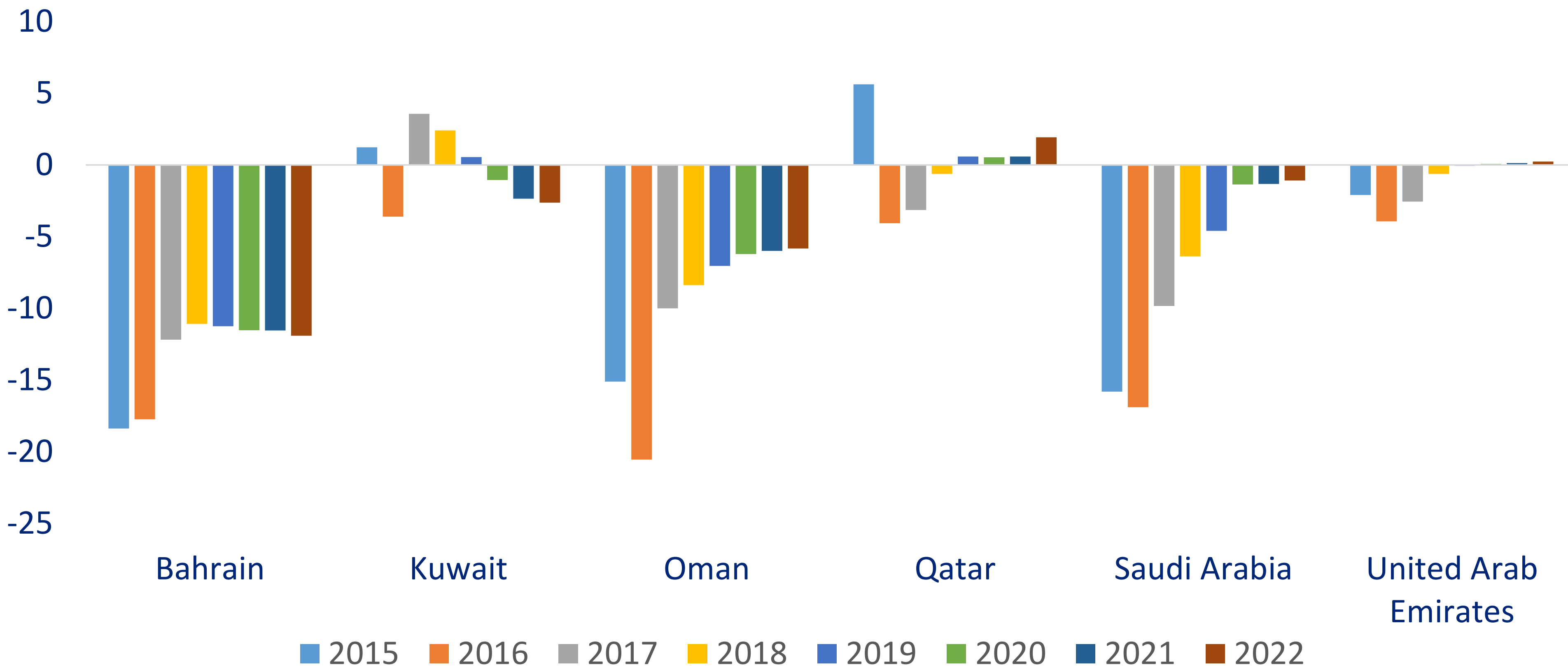


Source: IMF

Borrowing

As oil revenues have fallen, the GCC states have had to utilise their financial reserves or borrow in order to balance their current account deficits. In 2014, the total aggregate central bank reserves of GCC member nations was about $903 billion. This fell to $705 billion in 2016, and then further to $650 billion last year. At the same time debt levels have grown to the extent that many states now find themselves in a fiscal deficit after years of surpluses

GCC government lending/borrowing (% of GDP)



Source: IMF

Solutions to the revenue challenge

Since the oil price started falling, the GCC states have accelerated efforts to diversify their economies and make up the revenue shortfall. They have done this in a number of ways:

- Traditional forms of borrowing such as Islamic and sovereign bond issuances. For example, average GCC sovereign debt is set to rise to 31.6% of GDP by 2018, from 10.5% in 2014;

- Selling off local and international assets such as a foreign real estate and privatising state-owned firms. For instance, a sale of 5% of the shares in Saudi Aramco is expected to raise about $100bn for Riyadh;

- Dipping into their cash reserves to cover budgetary deficits – Saudi Arabia's current account balance fell from $850bn in 2013 to $600bn in 2016;

- Decreasing spending commitments in non-project areas such as power and water tariffs, employee perks and bonuses;

- Raising or introducing taxation and other governmental fees. The introduction of a 5% VAT tax earlier this year in Saudi Arabia and the UAE is the best-known example of this;

- Promoting PPP-type schemes in order to involve the private sector more in the financing and development of projects and therefore reducing dependence on direct government funding of schemes;

However, the obvious natural result of lower revenues has been for governments to cut their discretionary spending. Given that capital spending comprises a large portion of this expenditure, it is little surprise that overall project spending has declined dramatically in the past two years.

The nature and size of this decline is explored in the next section.

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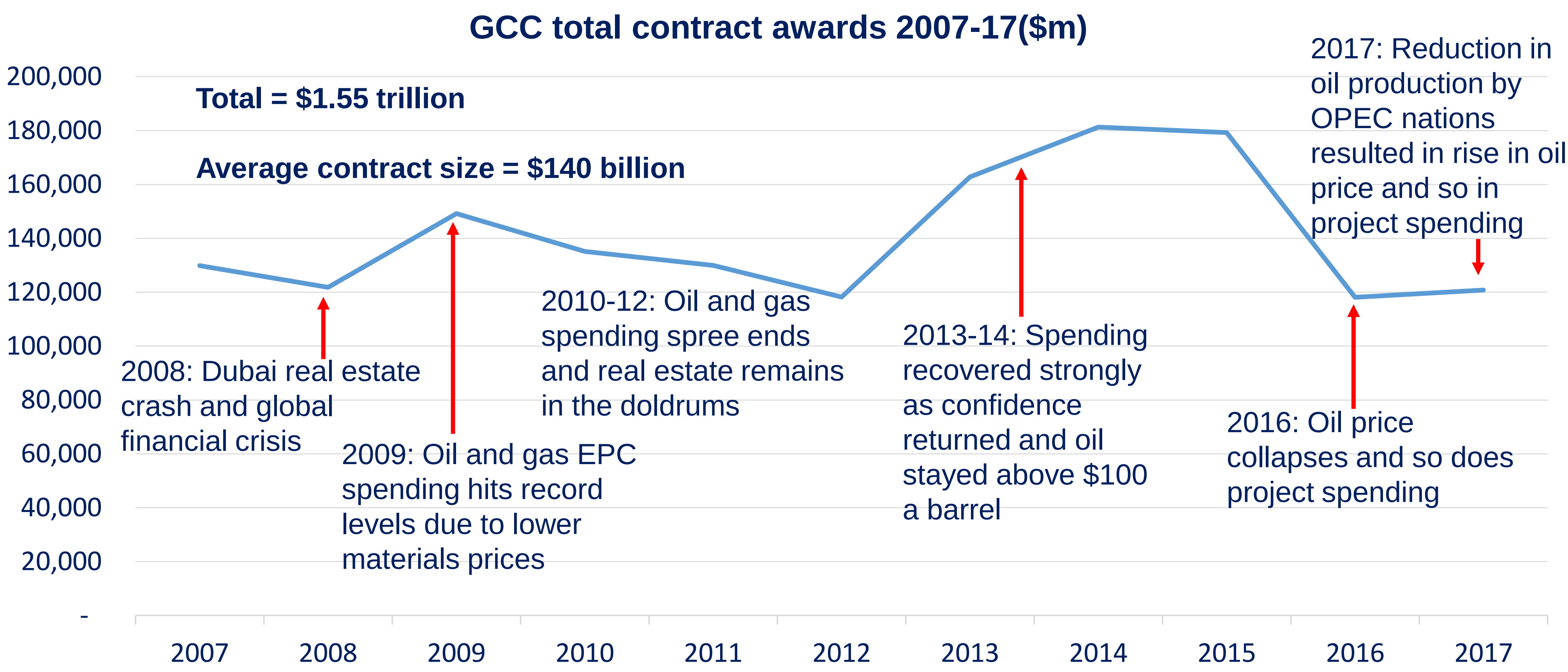
4

The historical context

Historical awards

The fortunes of the GCC projects market are closely tied to the oil price. Generally, when oil prices are high, spending on projects is also high. But when oil falls, as is the case over the past two-three years, then spending also declines. The below graph clearly shows the impact from 2015 onward of the fall in the price of crude. From close to $180 billion in 2014 and 2015, projects spending fell to a low of $118 billion in 2016 and only a marginal improvement of $120 billion last year. For spending to return to earlier levels, logic dictates that the oil price will have to rise to above $100 a barrel

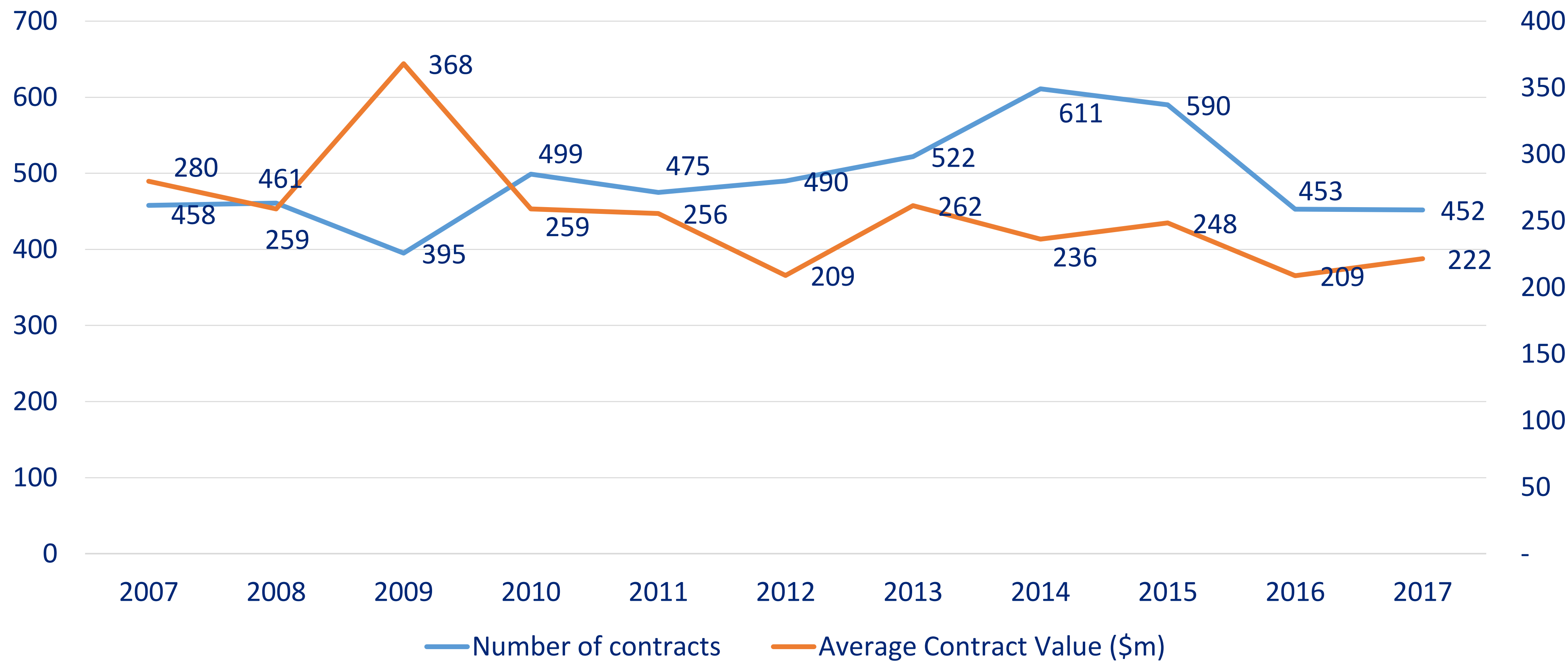


EPC=engineering, procurement and construction. Source: MEED Projects

Historical awards (2)

The number of awarded projects worth more than $50m hit a high of above 600 in 2014, but declined by more than 20% since as overall project spending has collapsed. Over the same time, the average contract value fell by a smaller margin from a high of $236m to $222m. Average contract value actually peaked in 2009 thanks to a focus that year on major oil and gas EPC contracts which skewed the numbers upward

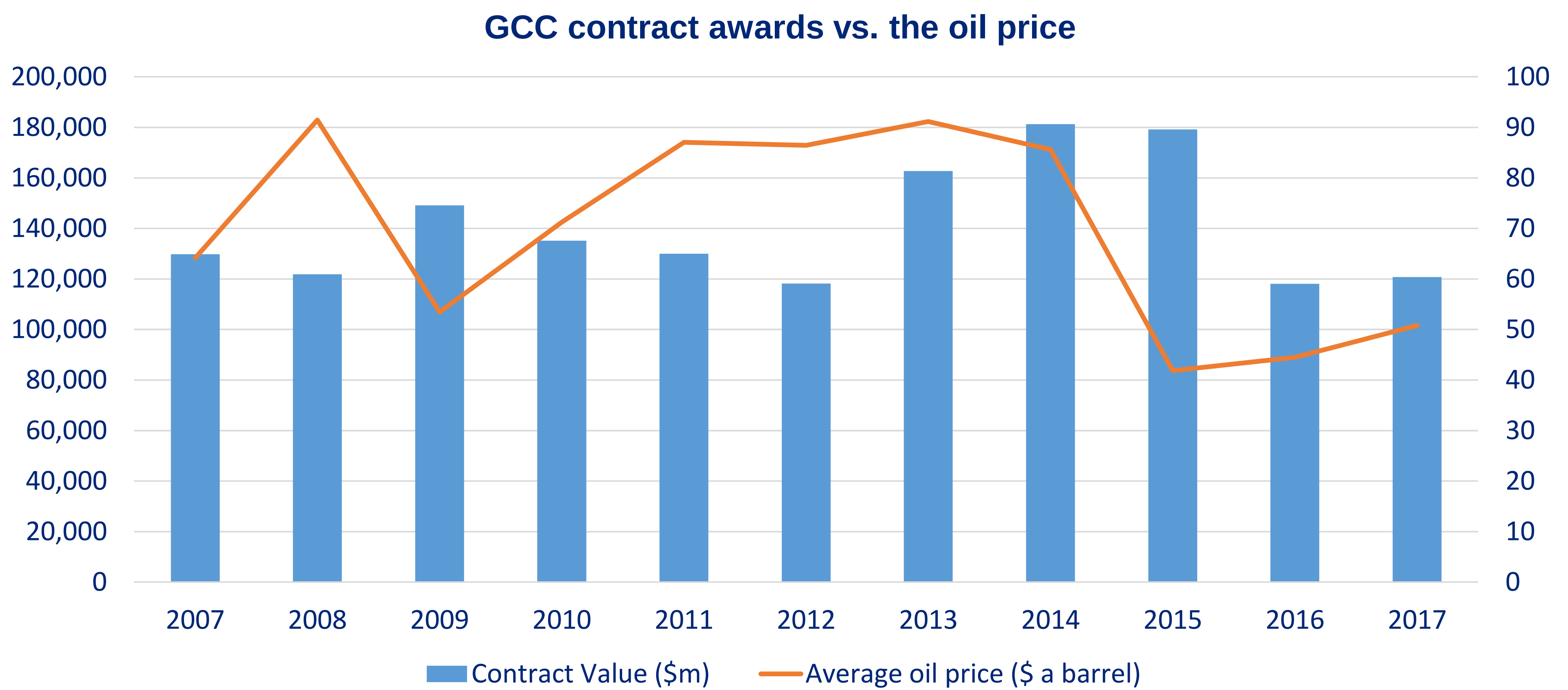
Number and average size ($m) of contracts



Source: MEED Projects *To reflect changes in MEED Projects methodology, only contracts worth more than $50m have been included in this graph

Historical contract awards vs. the oil price

Although the link between GCC contract awards and the oil price is strong, other factors also play a role. For instance, the oil price fell to an average of $53 a barrel in 2009 from $91 a barrel in 2008 but the value of contracts increased from $121 billion in 2008 to $149 billion in 2009 as national oil companies took advantage of lower EPC prices to proceed with delayed projects. Similarly, the significant fall in oil price from 2014 to 2015 did not result in huge fall of contract value during the same period as 2015 budgets had already been allocated. The oil price is a good barometer of project spending but factors such as geography, sector, geopolitics and construction material prices also have to be taken into account



Source: MEED Projects

Historical contract awards by country

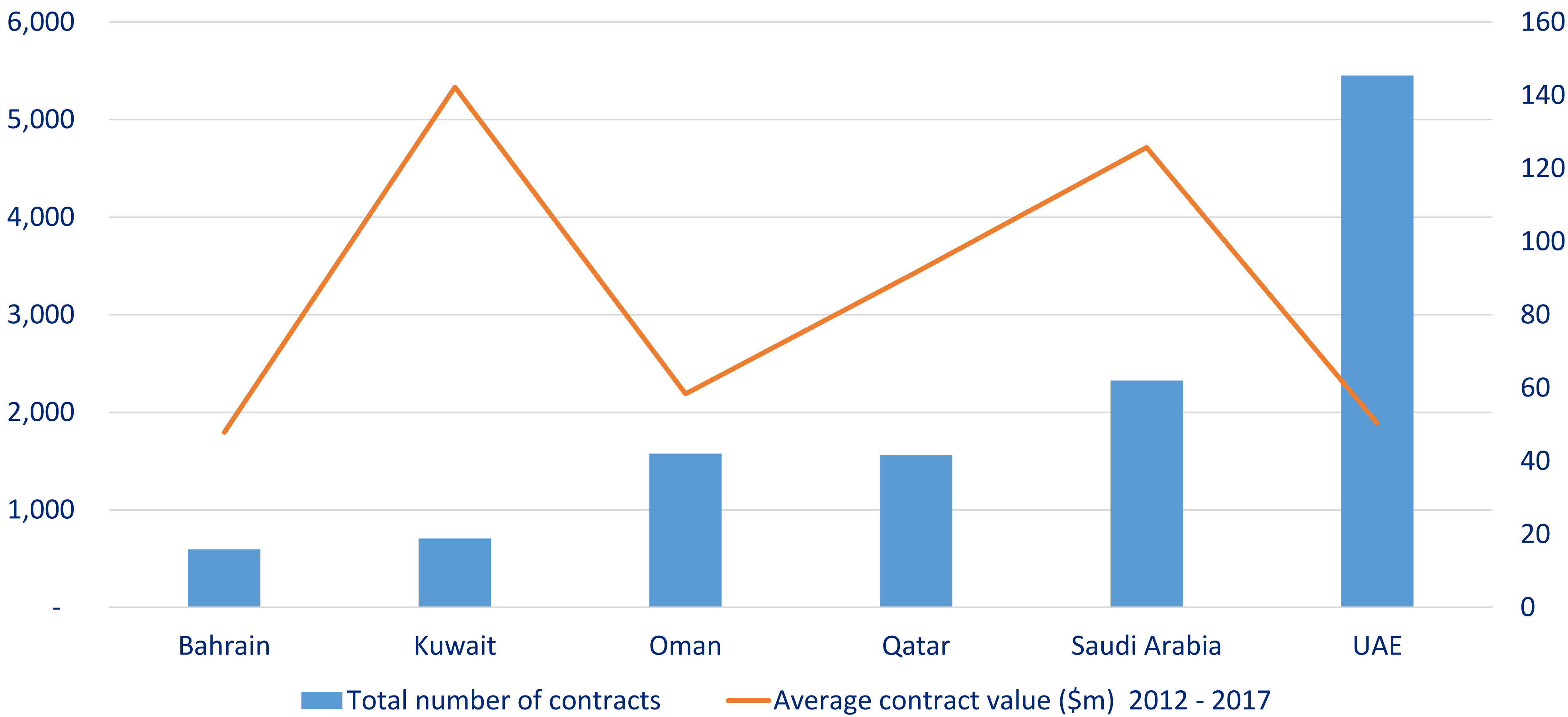
Historically, the two largest projects markets in the GCC have been Saudi Arabia and the UAE. However the collapse in contract awards in the former over the past two years has seen the UAE – driven by the Dubai market – emerge as the undisputed market leader. Apart from this notable exception, it is plain the see the impact of lower oil prices on projects spending as Kuwait, Qatar and Saudi Arabia are all less than half the size they were in 2015. The impact of this on the projects supply chain has been severe as contractors, consultants and suppliers alike have seen activity levels dry up as governments pare back spending

Source: MEED Projects

Historical contract awards by country (2)

Unsurprisingly given the previous graph, the UAE recorded the largest number of contract awards during the period 2012 to 2017, the majority of which were in the construction and transport sectors bringing down the average value. It was followed by Saudi Arabia in a distant second place but with a much higher average contract value due to a greater emphasis on generally larger oil and gas EPC contracts in the kingdom

Number and average size of contracts by country, 2012-17



Source: MEED Projects

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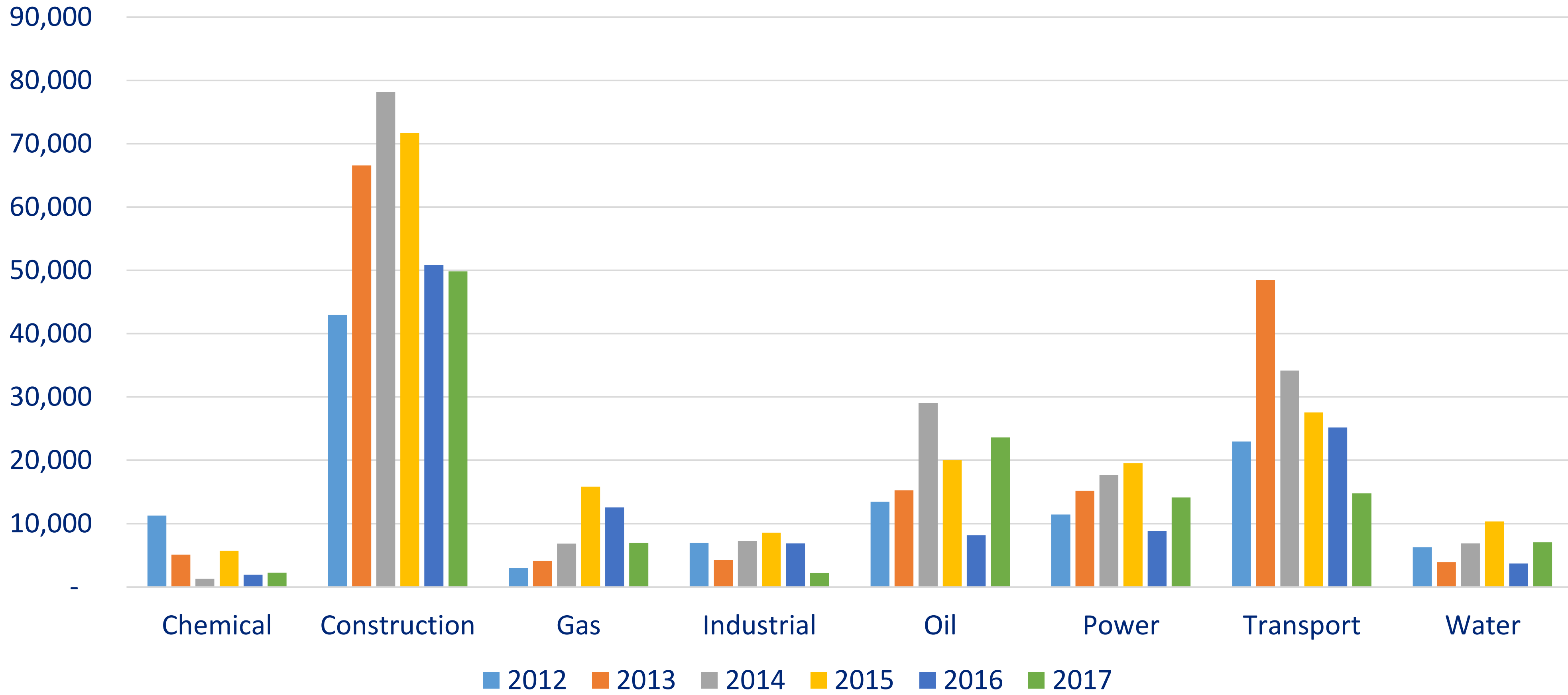
Contract awards by sector

The civil construction sector dominated contract awards over the past six years due to the rapid development of the residential market in the GCC states in line with the demographic explosion. The growth in the transport sector over the same period has mainly been driven by the large investments in metros, rail lines and airports. The utilities sector has been fairly stable as it is driven by steady demand growth in power and water, whereas the oil and gas sector tends to be more cyclical due the projects being fewer in number and larger in size.

Contract awards by sector, 2012-17 ($m)

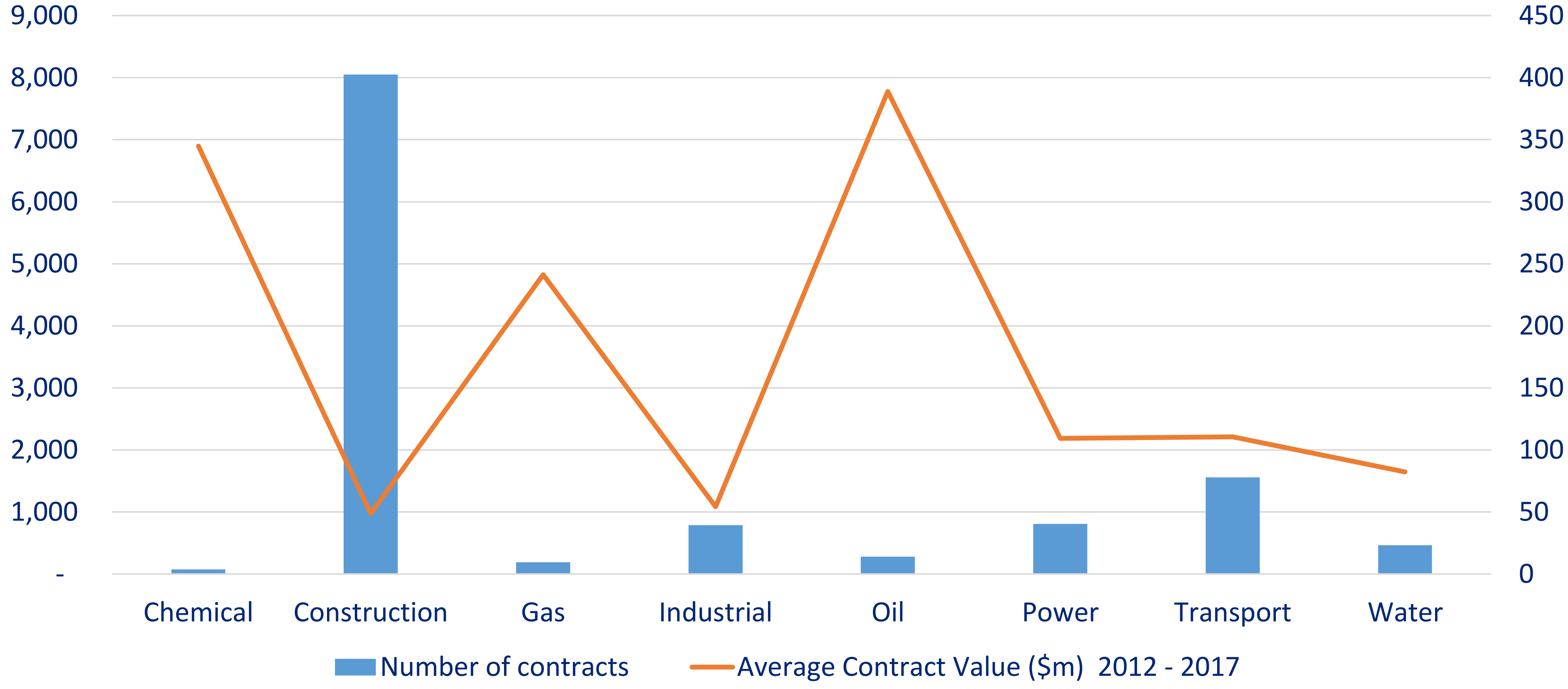


Source: MEED Projects

Historical contract awards by sector (2)

The construction sector has always constituted the majority of contract awards in the GCC region. Some 8,000 construction contracts were awarded between 2012 to 2017 accounting for about 65 per cent of the total deals awarded during that timeframe at an average contract value of $49m. The transport sector stood in the second place with 12 per cent of total contracts awarded over the past half-decade. The oil sector recorded the highest average contract value at $389m over the same period

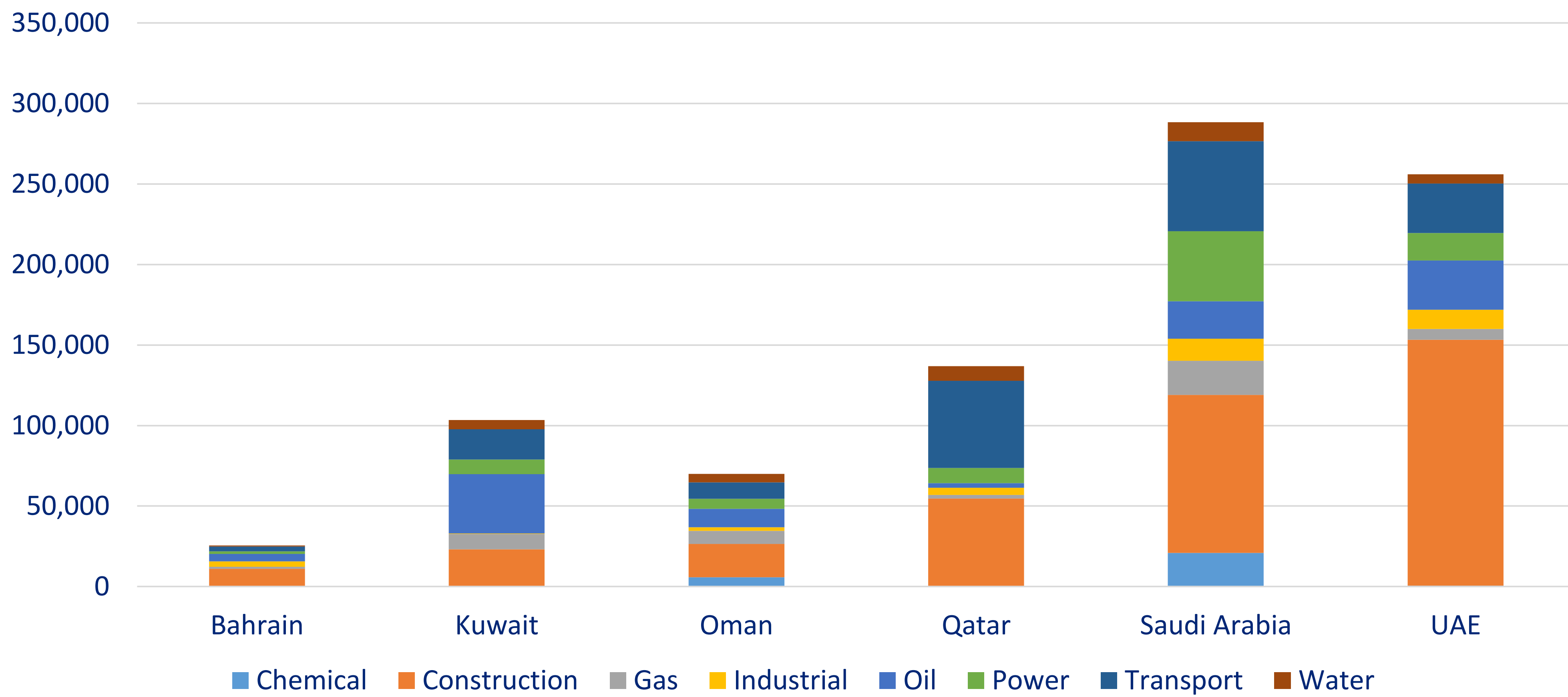
Number and average value of contracts by sector, 2012-17



Source: MEED Projects

Saudi Arabia leads all the GCC countries in terms of the total aggregate value of contract awards from 2012 to 2017 by virtue of its strong performance between 2012 and 2015. Construction sector contract awards dominate every GCC country with the exception of Kuwait where oil has been the largest individual sector. The UAE projects market, which is dominated by Dubai real estate, has seen close to 60 per cent of all construction contracts awarded over the past five years, totalling more than $150 billion

GCC country and sector contract awards, 2012-17 ($m)

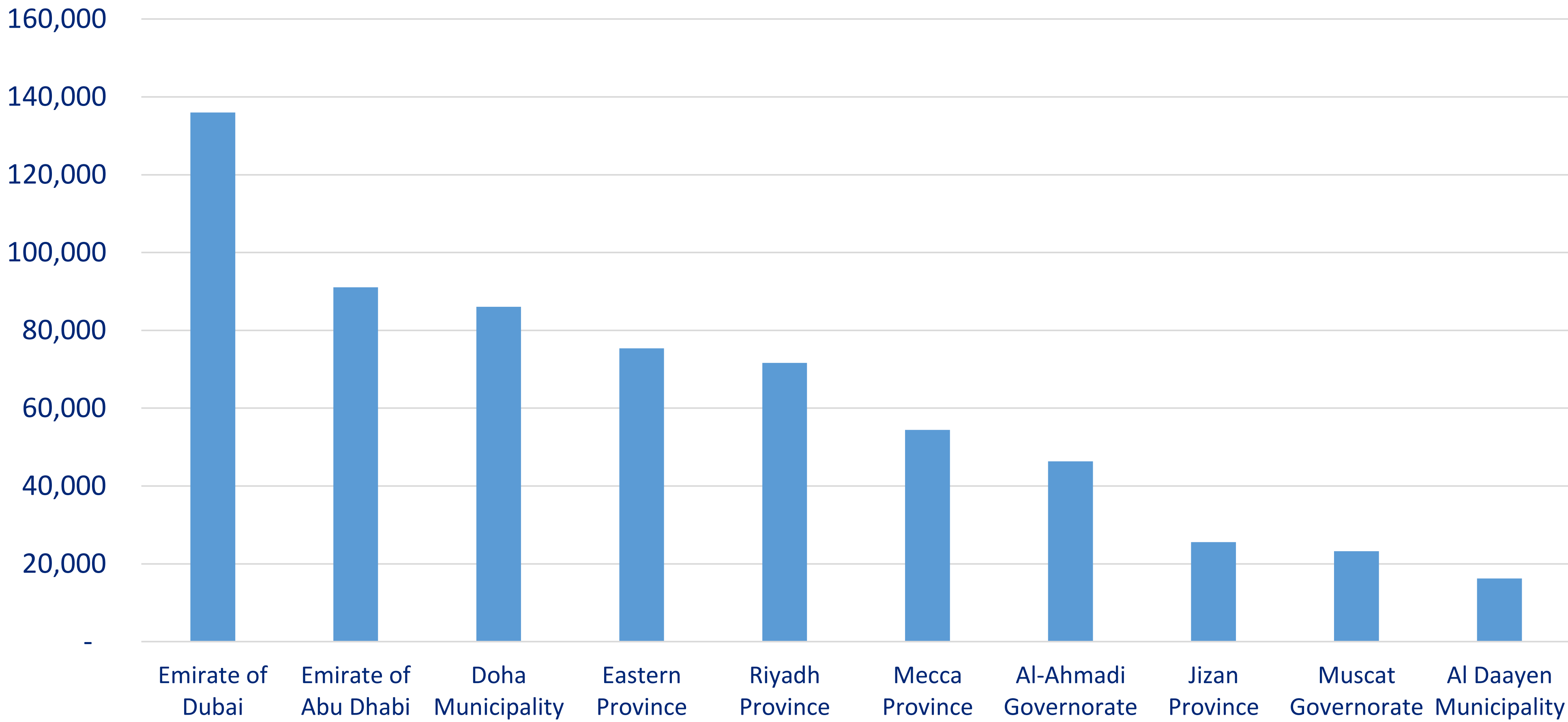


Source: MEED Projects

Contract awards by region

While Saudi Arabia may have recorded the highest value of contracts awarded since 2012 on a country level, there is little doubt that Dubai has been and remains the pre-eminent destination for project investment in the region, posting close to $140 billion worth of contracts over the period. Abu Dhabi and Saudi's Eastern Province, with their large oil and gas sectors, lie in second and fourth place, while Doha's infrastructure boom in the run-up to the FIFA 2022 World Cup sees it rank third in the value of contracts let

GCC contracts by selected region 2012-17 ($m)

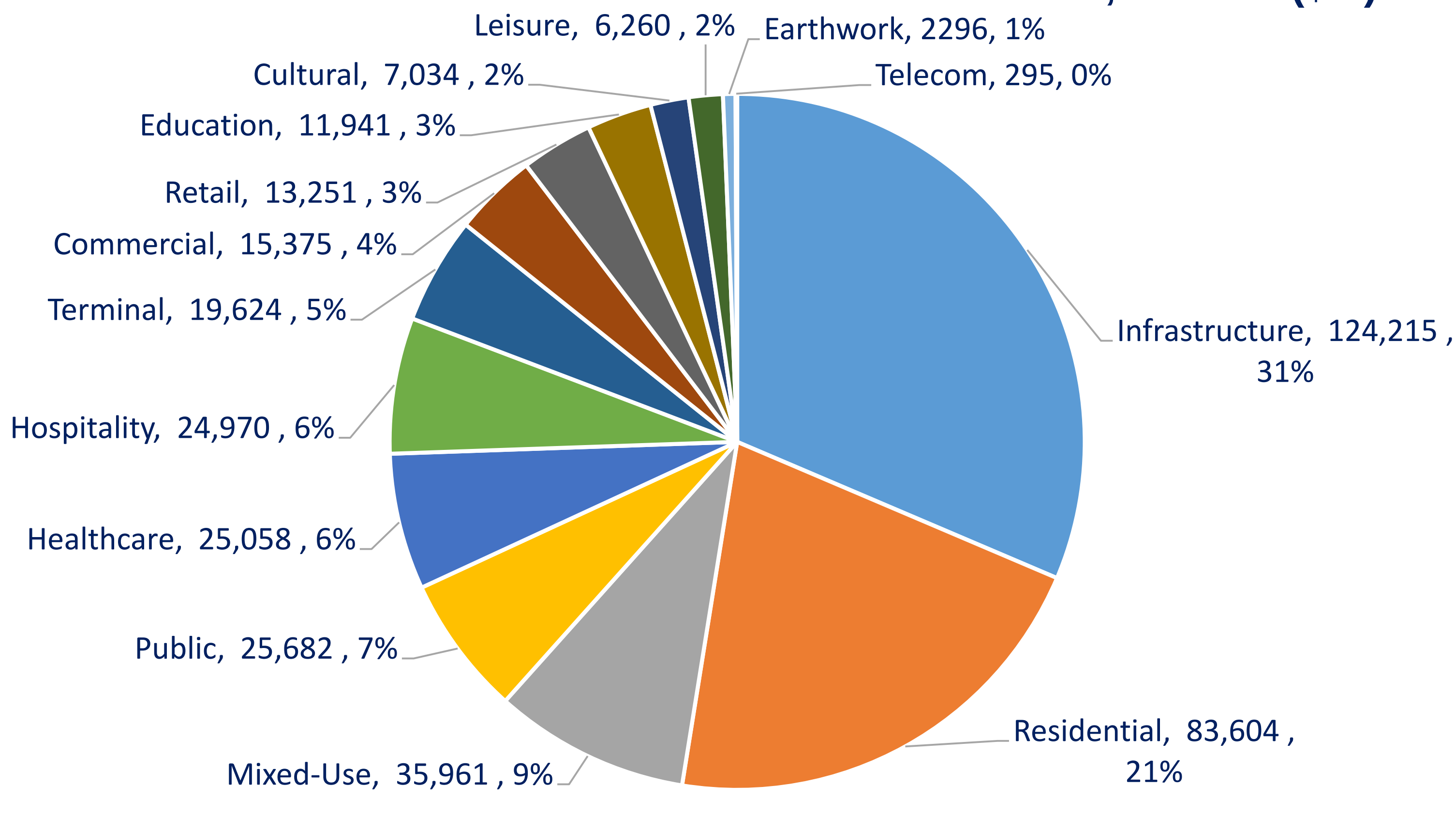


Source: MEED Projects

Civil construction sector breakdown

The breakdown of construction and transport spend highlights how much the market is dominated by the residential subsector and the infrastructure to support it. As the young population in the region continues to grow, governments are scrambling to ensure sufficient housing for their needs as well as suitable transport infrastructure to connect them. With no let up to the region's demographic explosion in sight, the two subsectors will continue to be the main areas of investment in the civils construction market in the years to come.

GCC civil construction sector contracts breakdown, 2012-17 ($m)

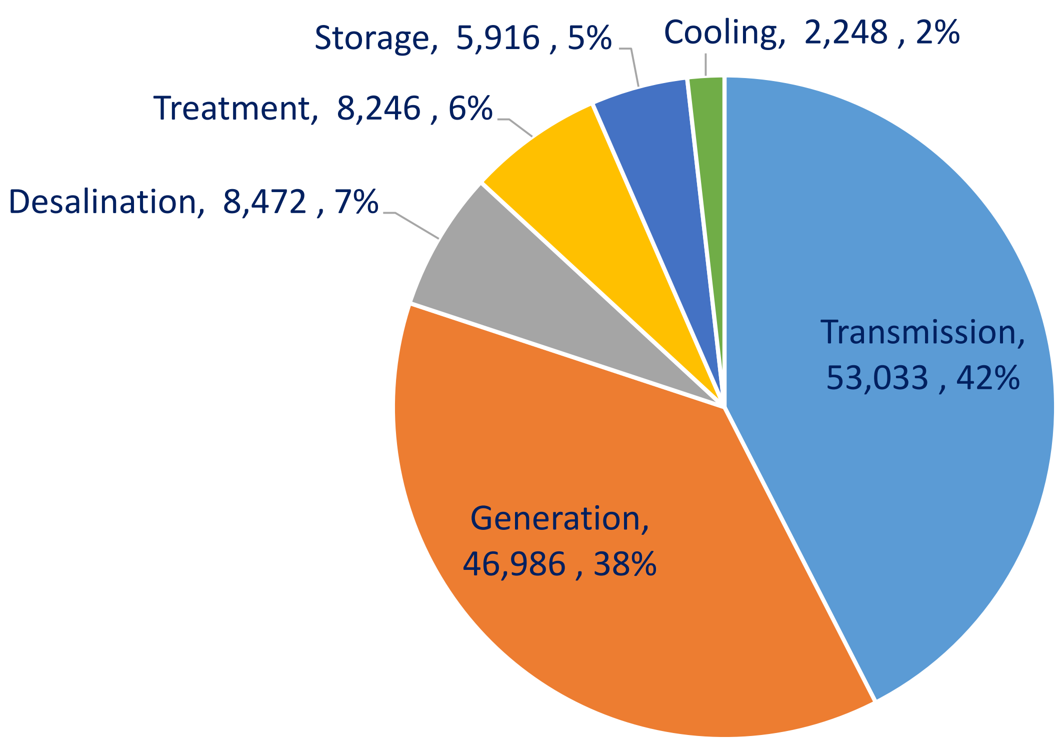


Source: MEED Projects

Utilities sector breakdown

The power and water sectors are dominated by power and co-generation projects plus investment in transmission of water and electricity from generating plants to the end-user. The transmission and generation of electricity have been the largest sub-sectors of utilities sector contract awards from 2012 to 2017 in the GCC nations. Governments across the GCC region are prioritising investments in electricity generation capacity and transmission and distribution (T&D) networks to satisfy rapid population growth, and industrial and economic expansion. At the same time, governments are also seeking to roll out major reforms aimed at driving greater energy efficiency. For example, Saudi Arabia, the largest utilities market among all GCC nations, is preparing to sell off 20GW of its generation assets to private investors.

GCC utilities sector contract awards breakdown, 2012-17 ($m)

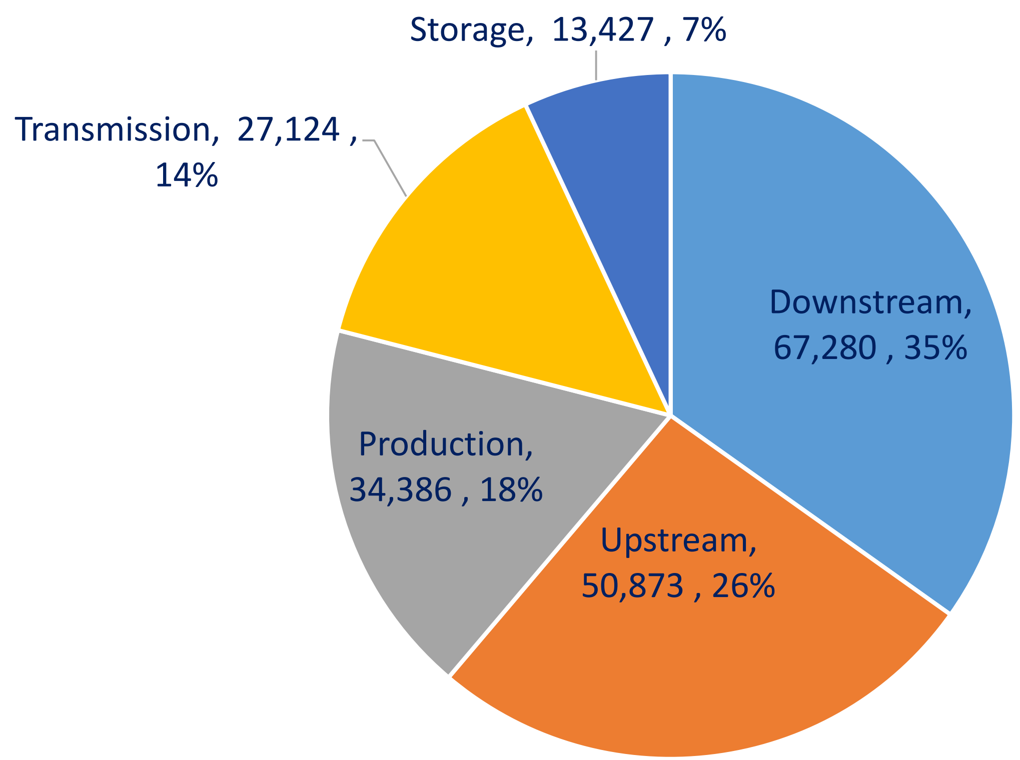


Source: MEED Projects

Hydrocarbons sector breakdown

The hydrocarbon sector represents about 30 per cent of the GCC states economy and 60 per cent of its total exports by value. All GCC nations benefit from substantial hydrocarbon resources, but the huge dependency on hydrocarbon revenues remains a key challenge. Many structural barriers in GCC states will continue to limit any attempts to diversify these economies away from hydrocarbons. Both Qatar and Kuwait's GDPs are the most hydrocarbon-dependent due to their high level of hydrocarbon resources while Bahrain is the least hydrocarbon-dependent among all GCC nations. The GCC countries have concentrated on downstream investment between 2012 to 2017 which has become the largest sub-sector in hydrocarbons contract awards during the same period. It is followed by upstream and production sub-sectors

GCC hydrocarbons contract awards by subsector, 2012-17 ($m)

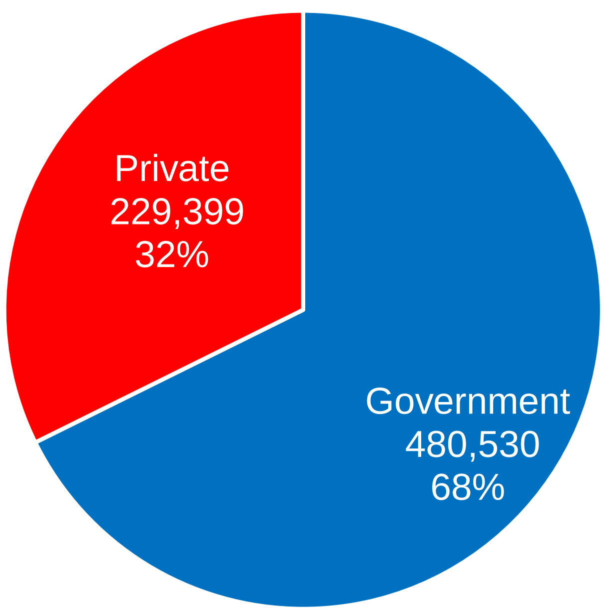


Source: MEED Projects

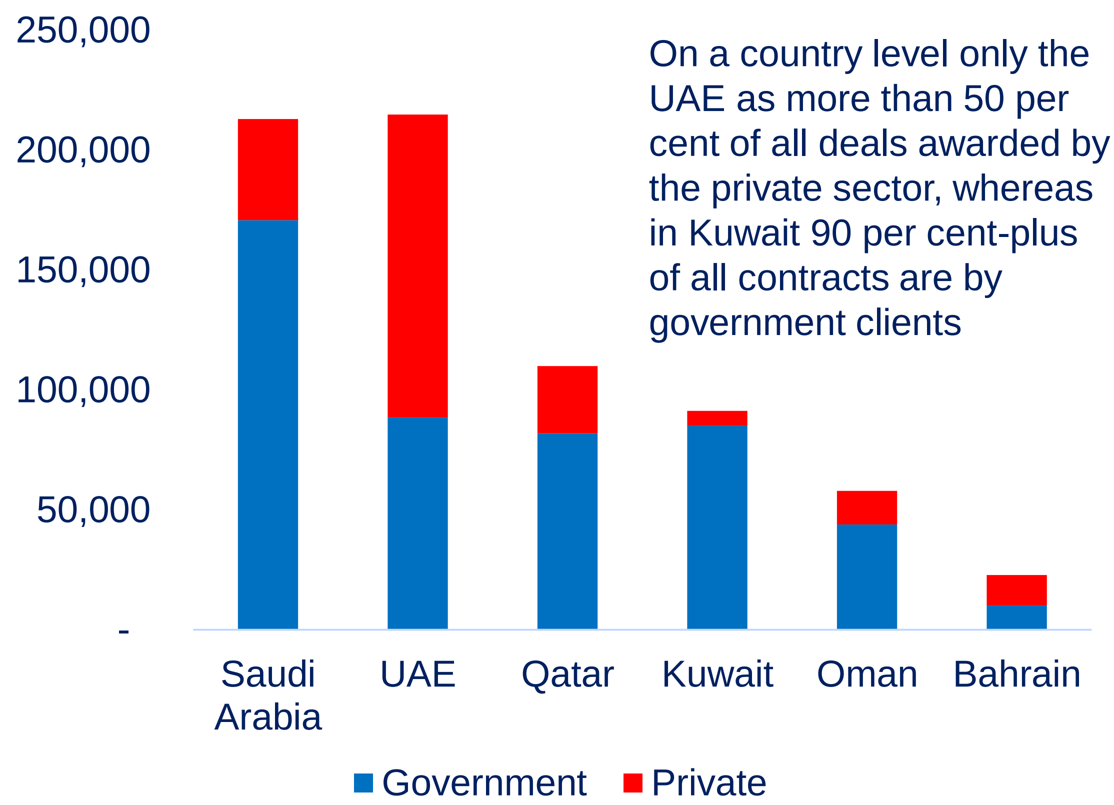
Public vs. Private

More than two-thirds of the value of all contracts in the GCC between 2012 and 2017 were awarded directly by state entities, underlining just how dependent the market is on government spending. It is this dependence on the state that makes the regional projects market so vulnerable to the oil price fall as the private sector is too small to take up the slack. One of the main reasons the Dubai market has proven so resilient to the oil price drop is the fact it is not as dependent on state clients as other markets, and because the private sector is markedly strong in the emirate than other GCC nations

GCC contract awards by ownership type, 2012-2017 ($m)



GCC contract awards by ownership type and country, 2012-2017 ($m)



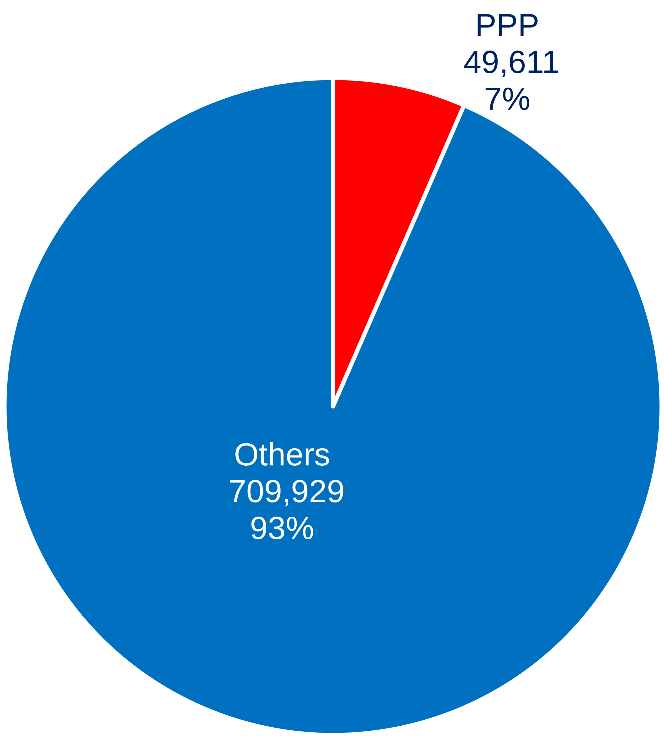
On a country level only the UAE as more than 50 per cent of all deals awarded by the private sector, whereas in Kuwait 90 per cent-plus of all contracts are by government clients

Source: MEED Projects

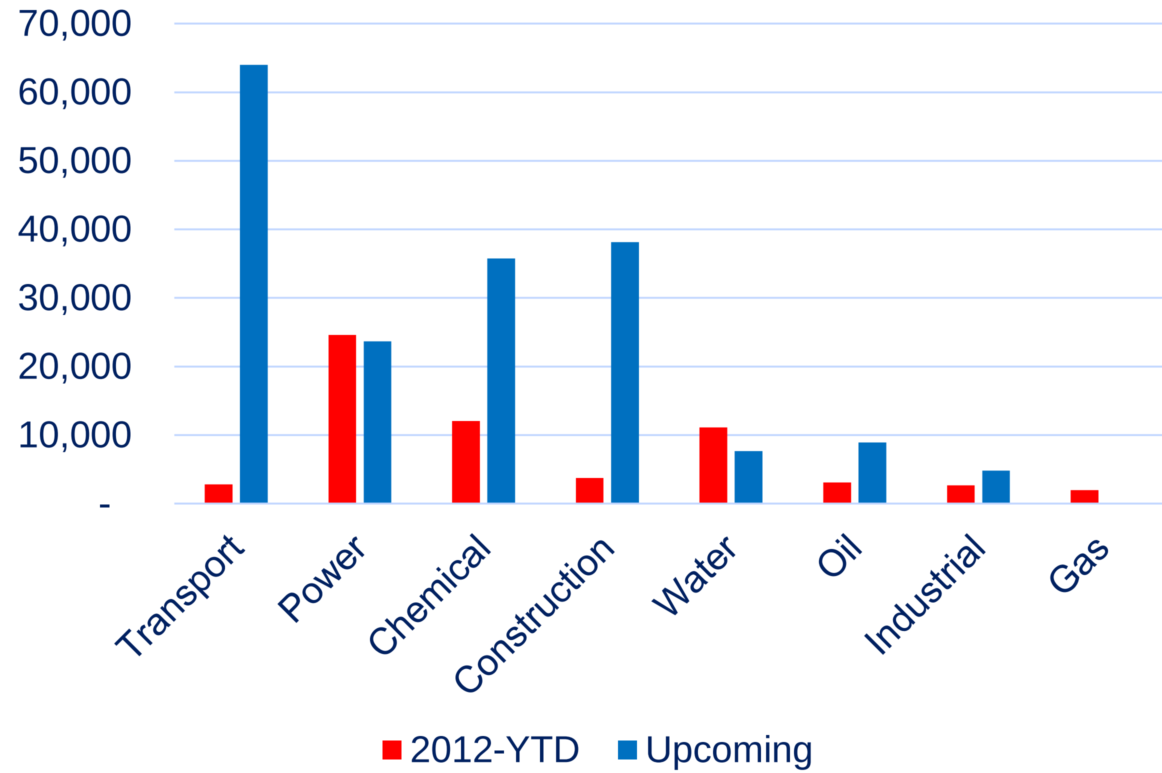
Public-Private-Partnerships (PPPs)

PPP projects are commonly viewed as being a solution to the current funding challenges facing the region. However, they have historically had challenges in succeeding outside the power and water sectors. Indeed, just 5% of all projects awarded in the region over the past five years have been PPPs. Looking forward, the GCC hopes to change this by introducing the PPP model to the transport and construction sectors, with more than $75bn of PPP schemes between them. The future prospects of the GCC projects market will depend on whether governments are successful in creating the right regulatory environment for these to proceed. So far the evidence suggests this will be hard to achieve

Value of GCC PPP Projects awarded, 2012-2017 ($m)



Value of GCC PPP projects by sector, 2012-17 ($m)

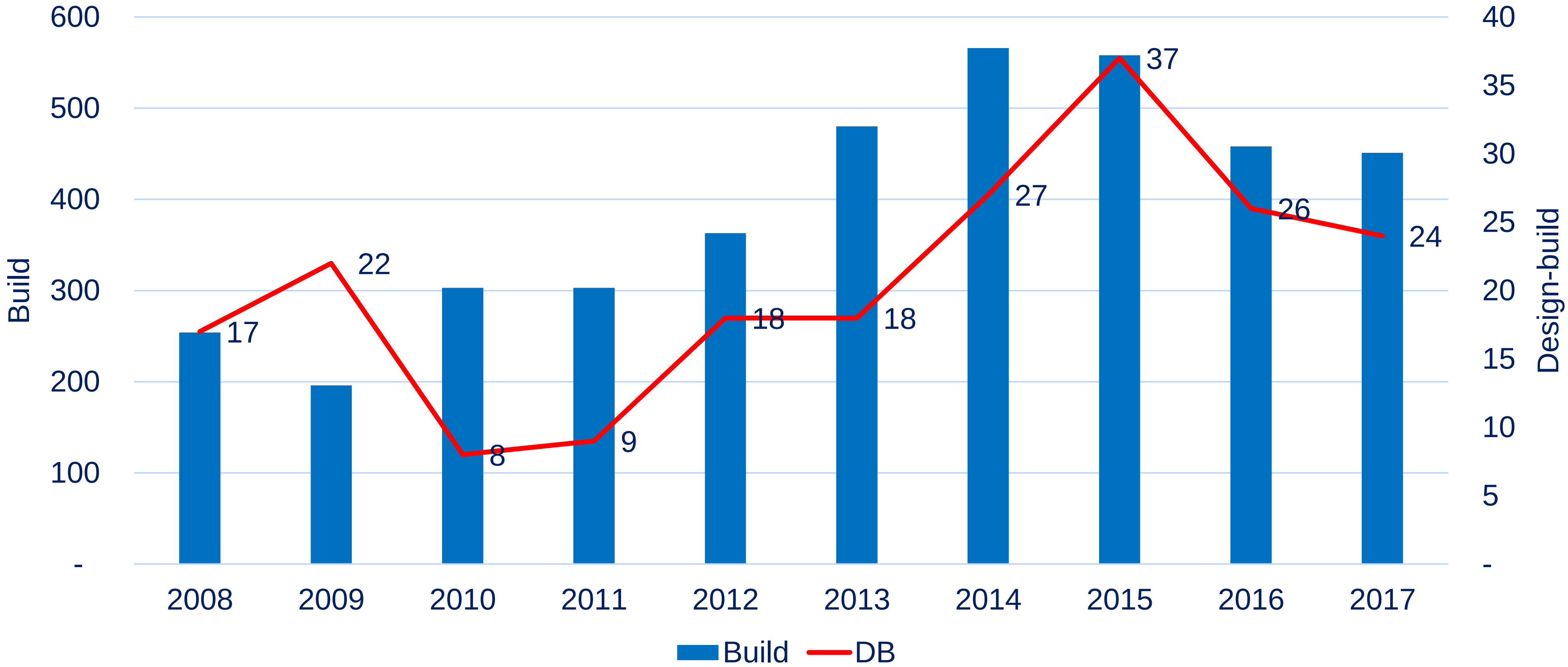


Source: MEED Projects

The growth in design/build contracts

As the region's projects market has matured, the number of innovative procurement and contracting solutions has increased. In the last few years, design/build contracts have become more popular as a means of project delivery, comprising approximately 10% of all construction sector contracts. This compares with less than 5% of contracts in previous years. Clients increasingly see design/build deals as a means of developing their projects faster and with lower delivery risk and therefore cost

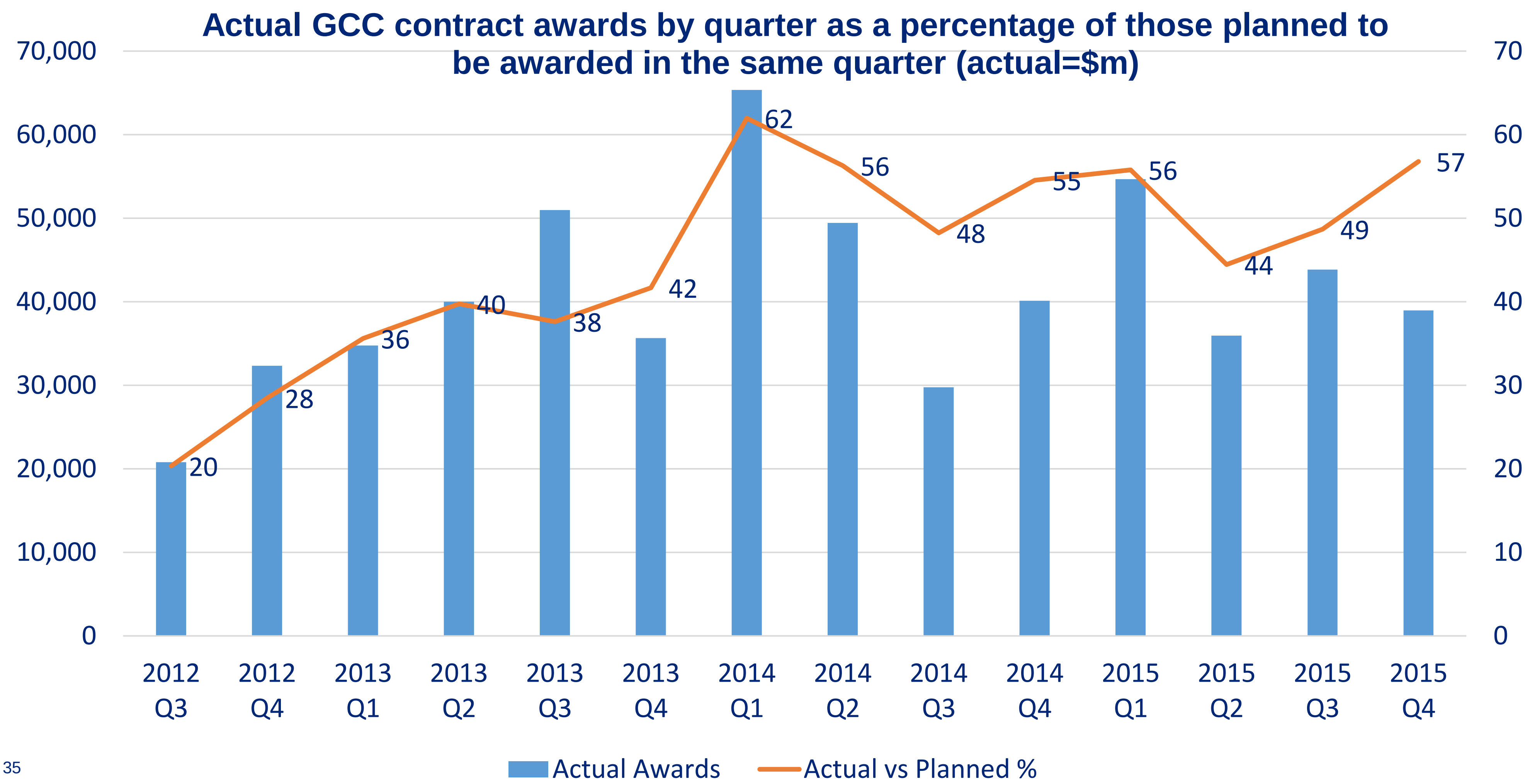
Number of GCC build vs. design/build civil construction contracts*, 2008-17



Source: MEED Projects; *with a value of more than $50m

Awards performance and conversion ratio

Delays in contract awards for various reasons are commonplace across the industry and region. However, between 2012 and 2015, MEED Projects recorded a marked improvement in the conversion ratio of contracts awarded to schedule. In Q3 2012 for example, just 20% of contracts were awarded on time compared with 57% in Q4 2015, the latest date for which the data can be fairly analysed. There are likely to be many reasons for this improvement, but the most impactful is clients being more realistic on their procurement schedules



Top awarded projects 2012-17

Project	Country	Value ($m)
ADA - Riyadh Light Rail Transit (Riyadh Metro): Lines 1 & 2	Saudi Arabia	9,289
ADA - Riyadh Light Rail Transit (Riyadh Metro): Lines 4, 5 & 6	Saudi Arabia	7,000
ADA - Riyadh Light Rail Transit (Riyadh Metro): Line 3	Saudi Arabia	5,942
KNPC - Clean Fuels Project 2020: MAA - Package 3	Kuwait	4,700
QRAIL - QIRP: Doha Metro: Gold Line: Tunneling Works	Qatar	4,400
MPW - Kuwait Airport Expansion: New Passenger Terminal 2	Kuwait	4,329
Bapco - Modernization Programme : Refinery Units	Bahrain	4,200
QRAIL - QIRP: Doha Metro: Systems, Rolling Stock and Track Work	Qatar	4,129
KIPIC - New Refinery Project: Package 1 (Process Plant)	Kuwait	4,100
KOC - Ratqa LFHO: Production Facilities/Support Complex/Tank Farm (Phase I)	Kuwait	4,100
DEWA - 700 MW Mohammad Bin Rashid Al Maktoum Solar Power Plant CSP - Phase 4	UAE	3,866
Adnoc Offshore - Upper Zakum Full Field:Early Production Facility:Offshore:EPC 2	UAE	3,790
KNPC - Clean Fuels Project 2020: MAB - Package 1	Kuwait	3,700
Ministry of Finance - Abraj Kudai in Mecca	Saudi Arabia	3,500
KNPC - Clean Fuels Project 2020: MAB - Package 2	Kuwait	3,400
MOI - King Abdullah Project: Security Forces Medical Complex: Jeddah	Saudi Arabia	3,350
MOI - King Abdullah Project: Security Forces Medical Complex: Riyadh	Saudi Arabia	3,350
SEC - Shuqaiq Steam Power Plant	Saudi Arabia	3,300
SEC - Jeddah South Thermal Power Plant	Saudi Arabia	3,120
KAPP / MPW - Umm al-Hayman Wastewater Treatment Plant Expansion	Kuwait	3,000
Ministry of Interior - Security Compound: KAP 3	Saudi Arabia	3,000

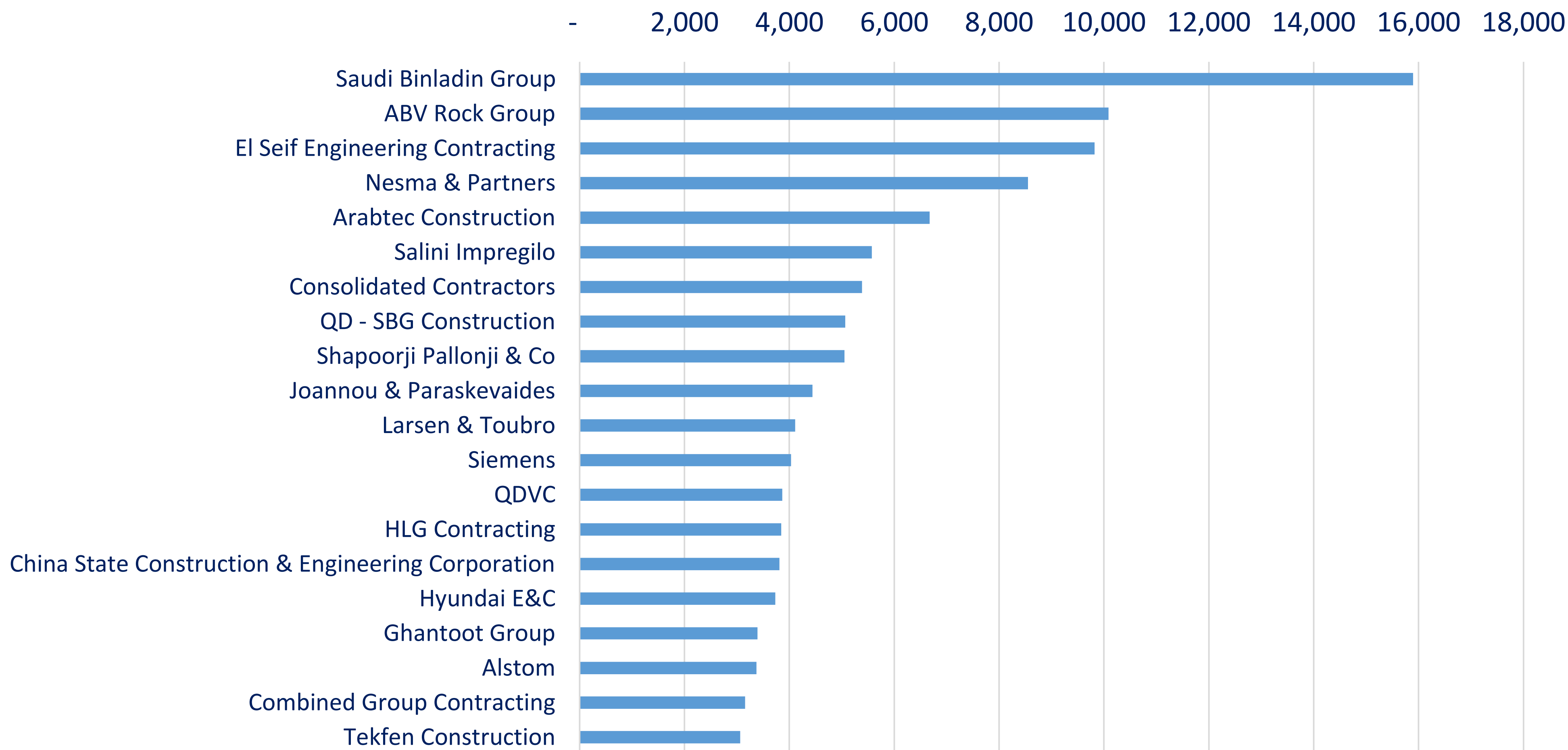
Source: MEED Projects

5 Top clients and contractors

Top civil contractors

Saudi Binladin Group (SBG), ABV Rock Group, and El Seif Engineering Contracting based in Saudi Arabia continue to lead the civil contractors market among all the GCC countries. They have a combined contract value of about $35.8 billion, with Saudi Binladin Group alone contributing to nearly 45 per cent of this total. It is also worth noting the rise of Indian firms Shapoorji Pallonji and Larsen & Toubro, who have climbed up the rankings in recent years. By and large though, the civil construction sector remains an area where regional firms compete with international contractors on an equal footing

GCC top civil contractors by value of work under execution ($m)

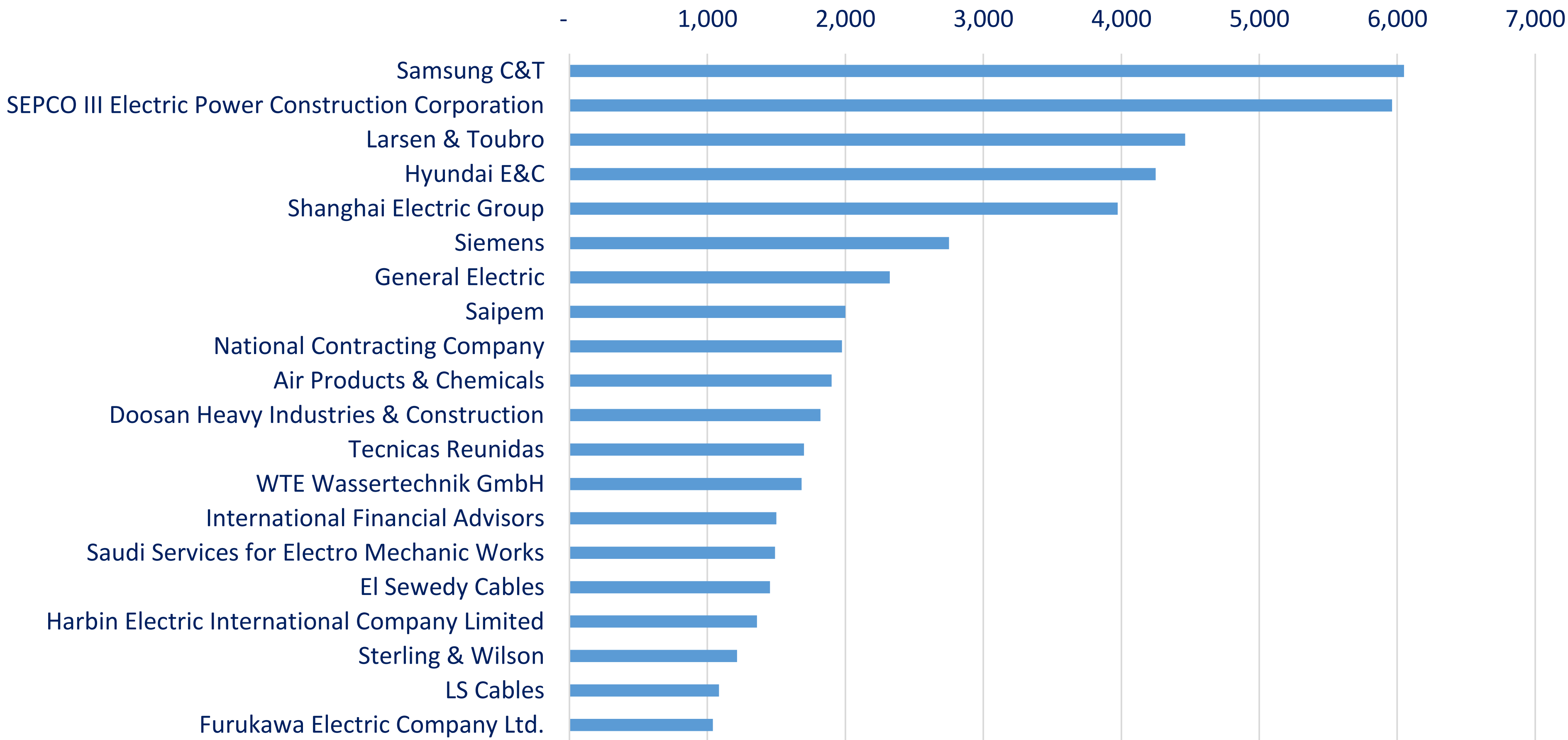


Source: MEED Projects

Top utilities contractors

In contrast, foreign players have dominated the utilities contractors market in the GCC region. Only 3 of the top 20 contractors are from the region, highlighting the challenge GCC firms have with being able to lead and complete world-scale power generation and desalination projects. On the flip side, transmission and distribution schemes are generally more competitive, but even here international firms are continuing to make headway against local competition

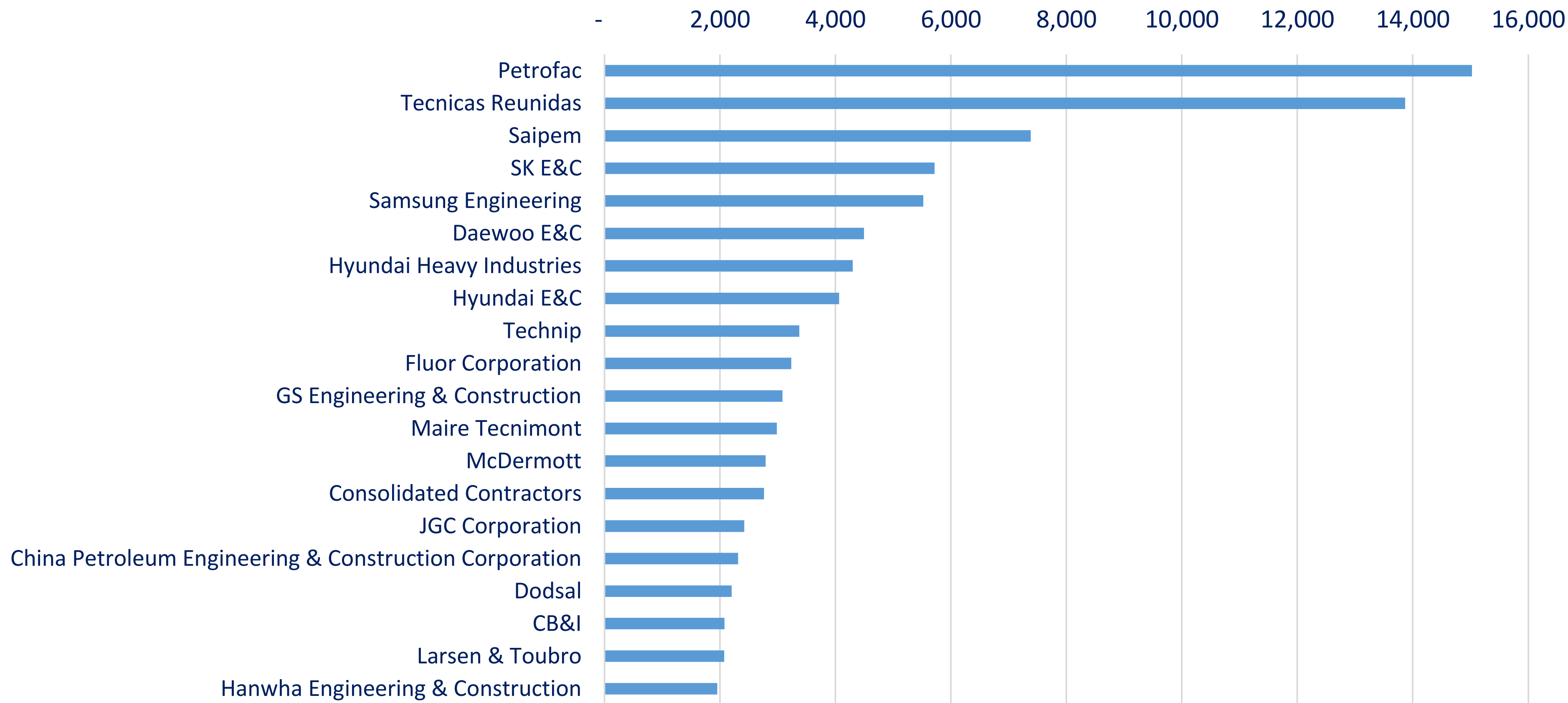
GCC top utilities contractors by work under execution ($m)



Source: MEED Projects

The GCC hydrocarbon contracts market is dominated by European and South Korean EPC contractors. The UK/Sharjah-based Petrofac is the biggest hydrocarbons EPC contractor in GCC region followed by Spain's Tecnicas Reunidas. Korean firms, while still heavily represented in the rankings, have slipped down the list as they take a more conservative approach to winning work than they once did. In the meantime, Chinese firms led by CPECC are expected to feature prominently in the years to come as they seek to grow their market share

Top GCC hydrocarbons contractors by work under execution ($m)

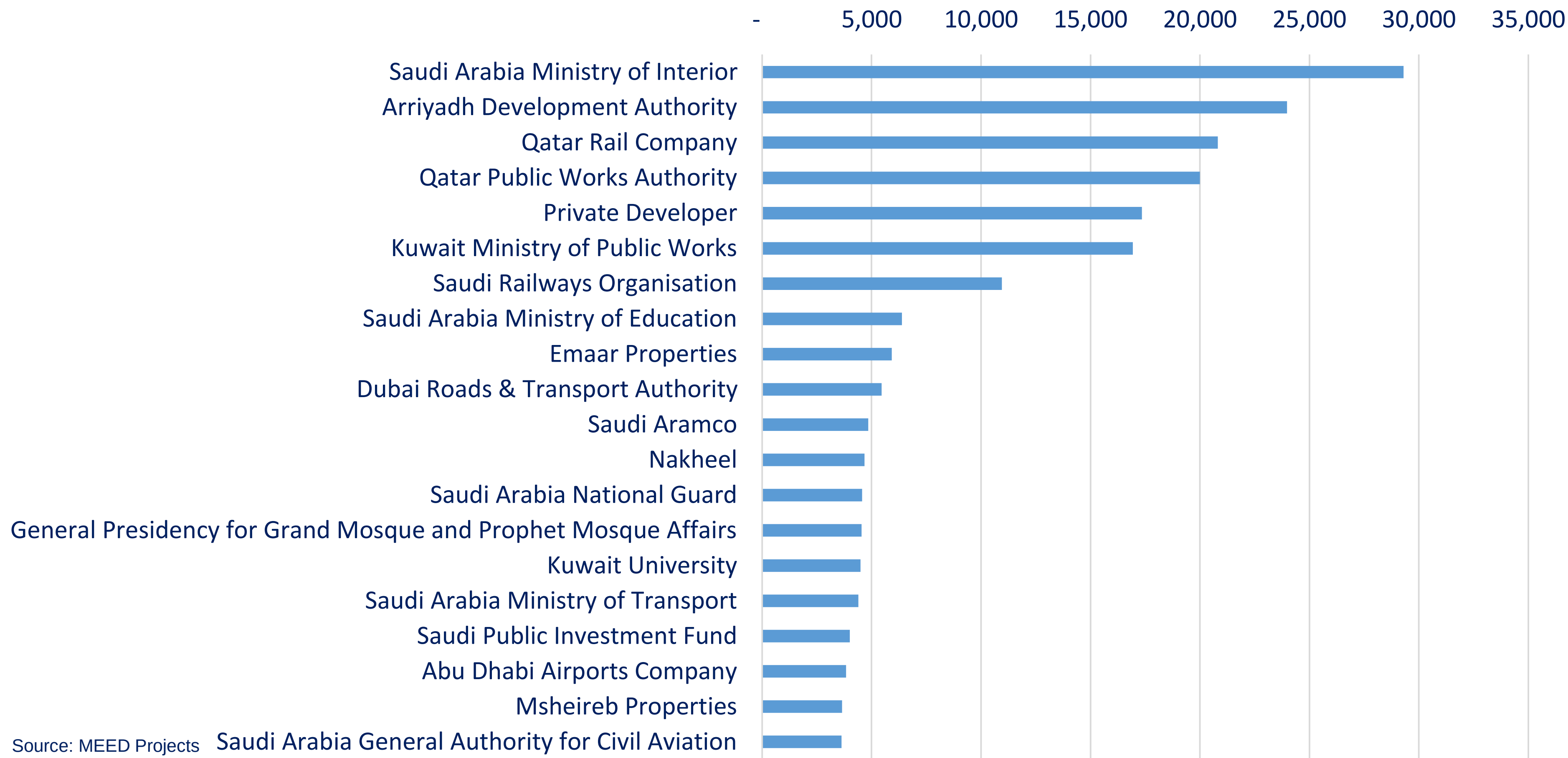


Source: MEED Projects

Top civil construction clients

Saudi Arabia Ministry of Interior has been the biggest civil construction client in GCC thanks to its ambitious defence and housing projects programmes. It is followed by the Arriyadh Development Authority, which is responsible for the Riyadh Metro development. Some of the other entities which made it to the top 10 are Qatar Rail Company, Qatar Public Works Authority, and Kuwait Ministry of Public Works which are responsible for critical government projects worth tens of billions of dollars, nearly always tendered on a lump sum turnkey basis. As ever, there are few private sector firms present on the list, reflecting the state's stranglehold on infrastructure spending

Top GCC civil construction clients by work under execution ($m)

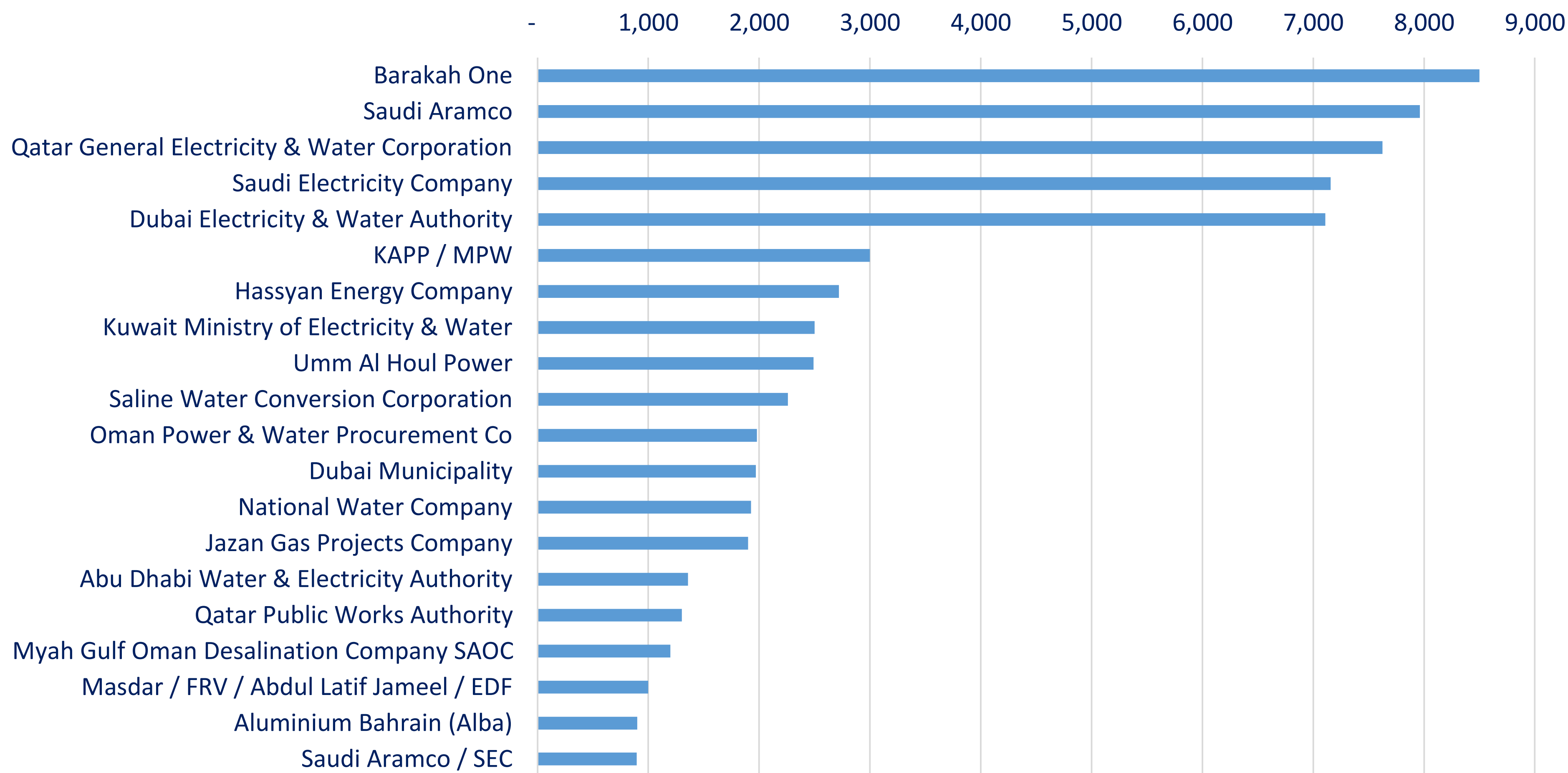


Source: MEED Projects

Top utilities clients

Abu Dhabi's Barakah One is the highest ranked utilities client thanks to its nearly completed Ruwais nuclear complex, the first of its kind in the Arab world. It is followed by Aramco, which in addition to oil and gas investments, has a large number of power generating schemes to provide steam and electricity for its fields and plants. The list is otherwise comprised of the various different state-owned utilities in each GCC country and the special purpose vehicles set up to run private power and water plants

GCC top utilities clients by value of work under execution ($m)

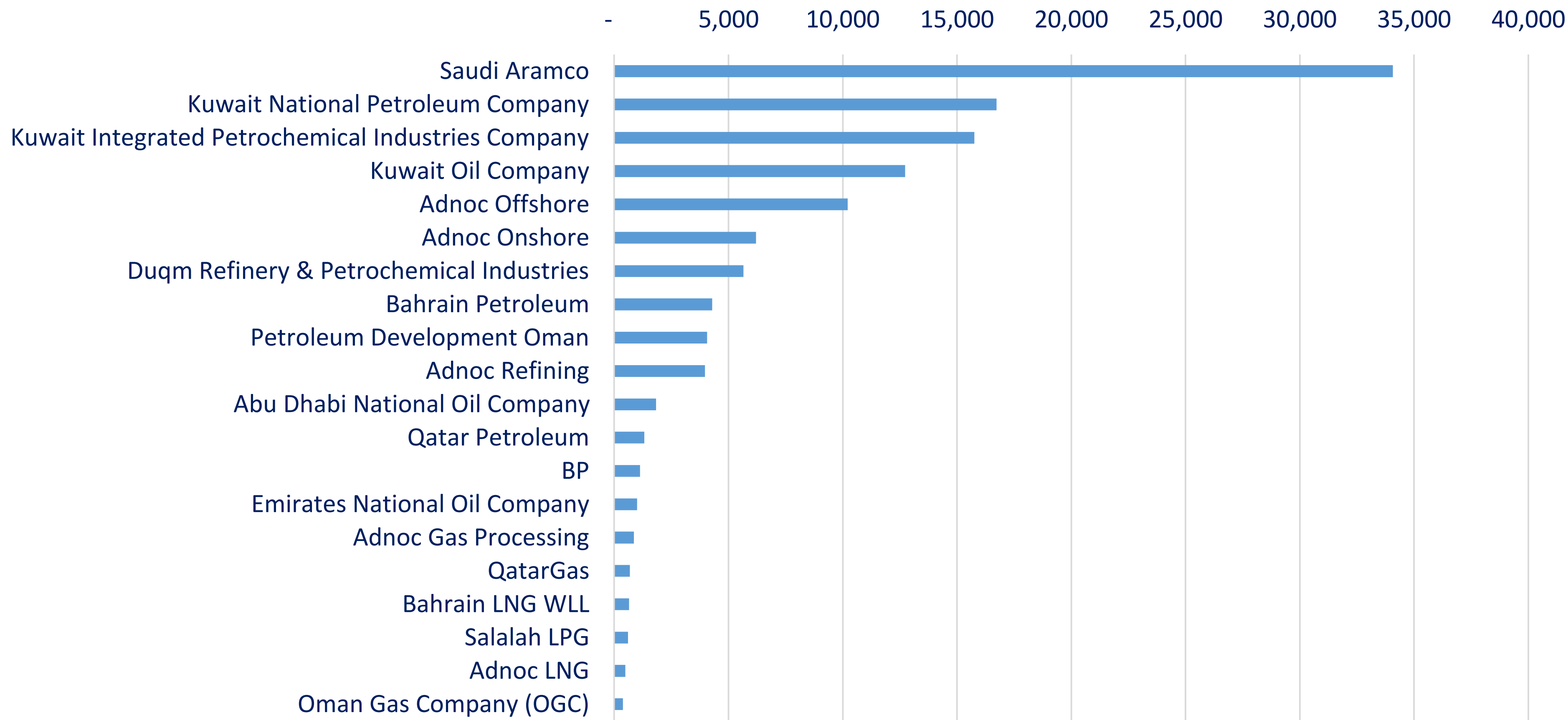


Source: MEED Projects

Top hydrocarbons clients

Unsurprisingly, Saudi Aramco retains its crown as the number one hydrocarbons client in the region. Soon to launch its own IPO, the NOC is also set to become the world's largest company by market capitalisation in addition to its largest single oil and gas producer. Three Kuwaiti NOCs complete the top four highlighting how Kuwait has been the highest net spender on oil and gas project over the past five years due to is massive $30bn new refinery and clean fuels programmes in addition to some major upstream gas investments

GCC top hydrocarbons clients by value of work under execution ($m)



Source: MEED Projects

6 2017 in Review

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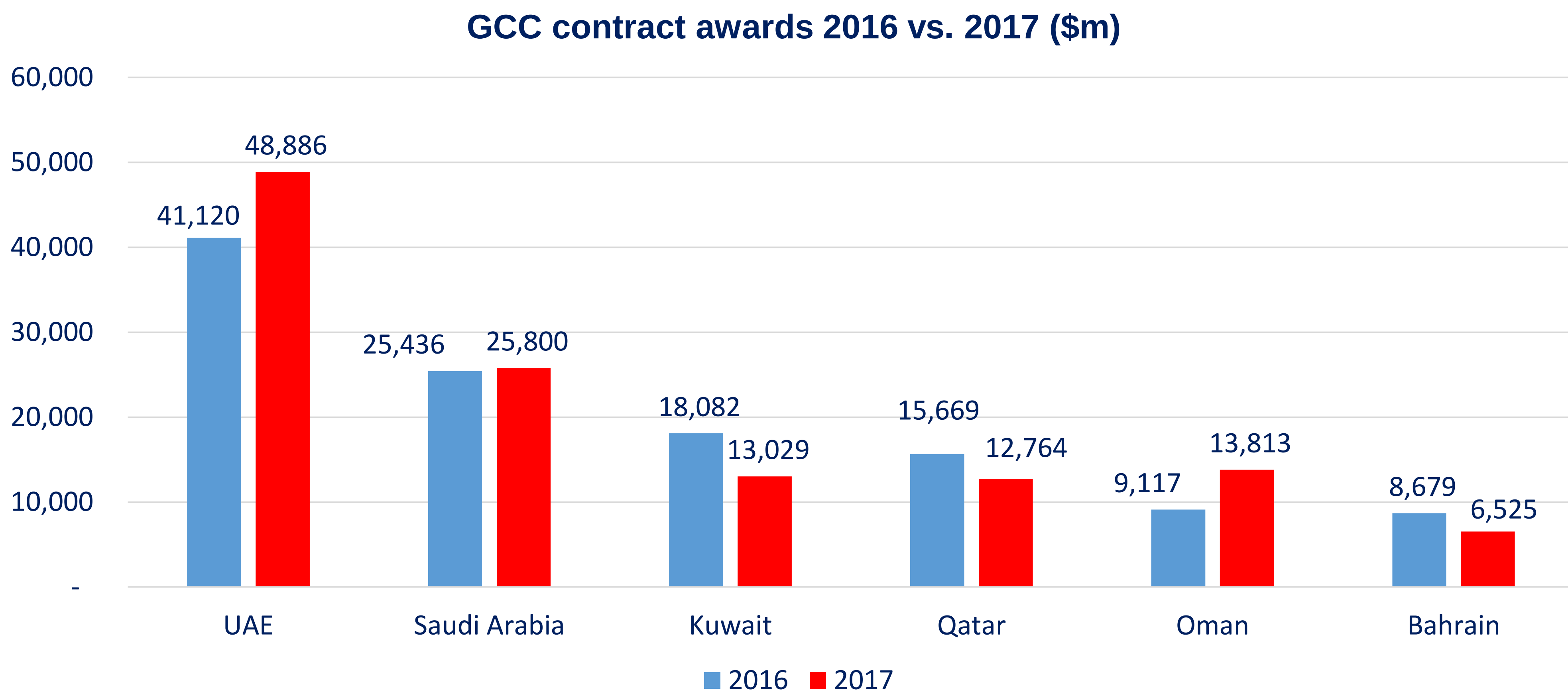
2016 vs. 2017

2016 was the first year when the fall in oil prices was reflected in lower contract awards, with the value of deals let falling 40% on 2015 levels. This decline was most sharply felt in Saudi Arabia, Oman, Qatar and Kuwait. Despite hopes that 2017 would be a better year as oil prices recovered somewhat and governments adjusted to the new economic environment, overall spending barely increased. In Kuwait and Qatar awards actually fell year-on-year, while Saudi Arabia was flat. Oman and the UAE showed an impressive increase in award value compared with the previous year

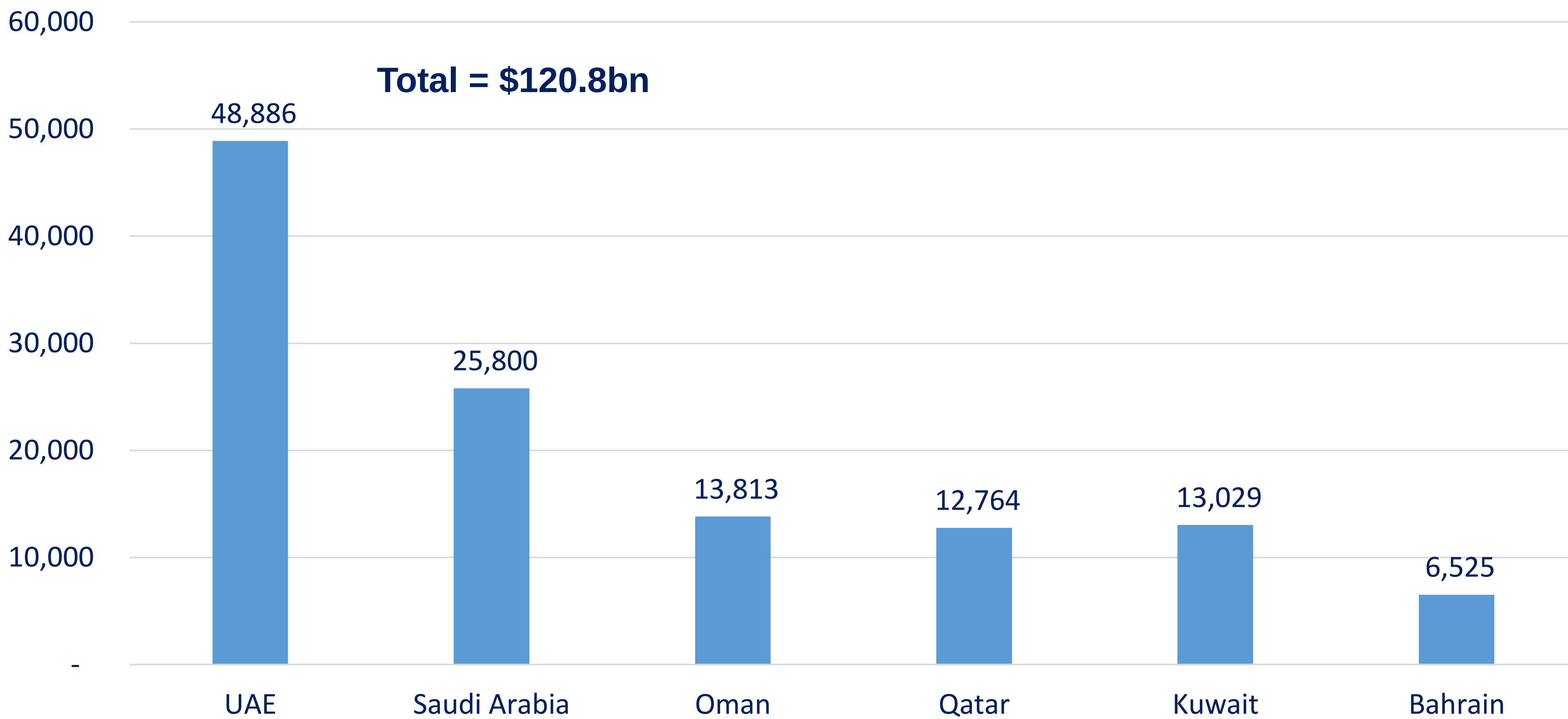


Source: MEED Projects

2017 performance

A total of almost $121 billion worth of contracts were awarded in 2017, a marginal increase on the $118 billion awarded the previous year. In most respects, there was little change in the fortunes of each country. The UAE remains the single largest market thanks mainly to the Dubai projects boom. On the other hand, Saudi Arabia, Qatar and Kuwait continue to struggle, with values less than half the totals registered in 2014 and 2015, underlining just how the challenging the market continues to be despite the small increase in the average oil price over the year.

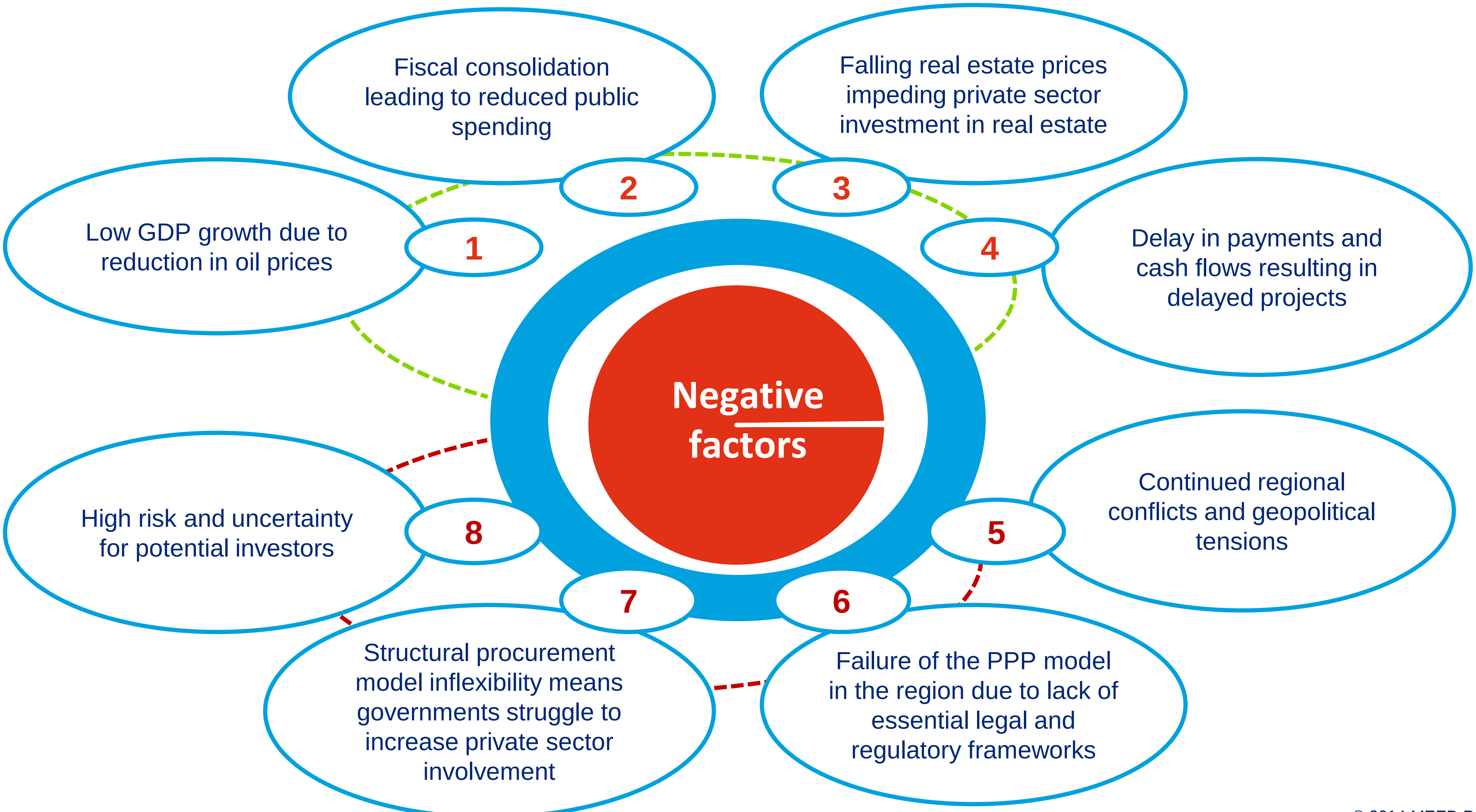
Value of GCC contracts awarded 2017 ($m)



Source: MEED Projects

What's holding back the GCC projects market?

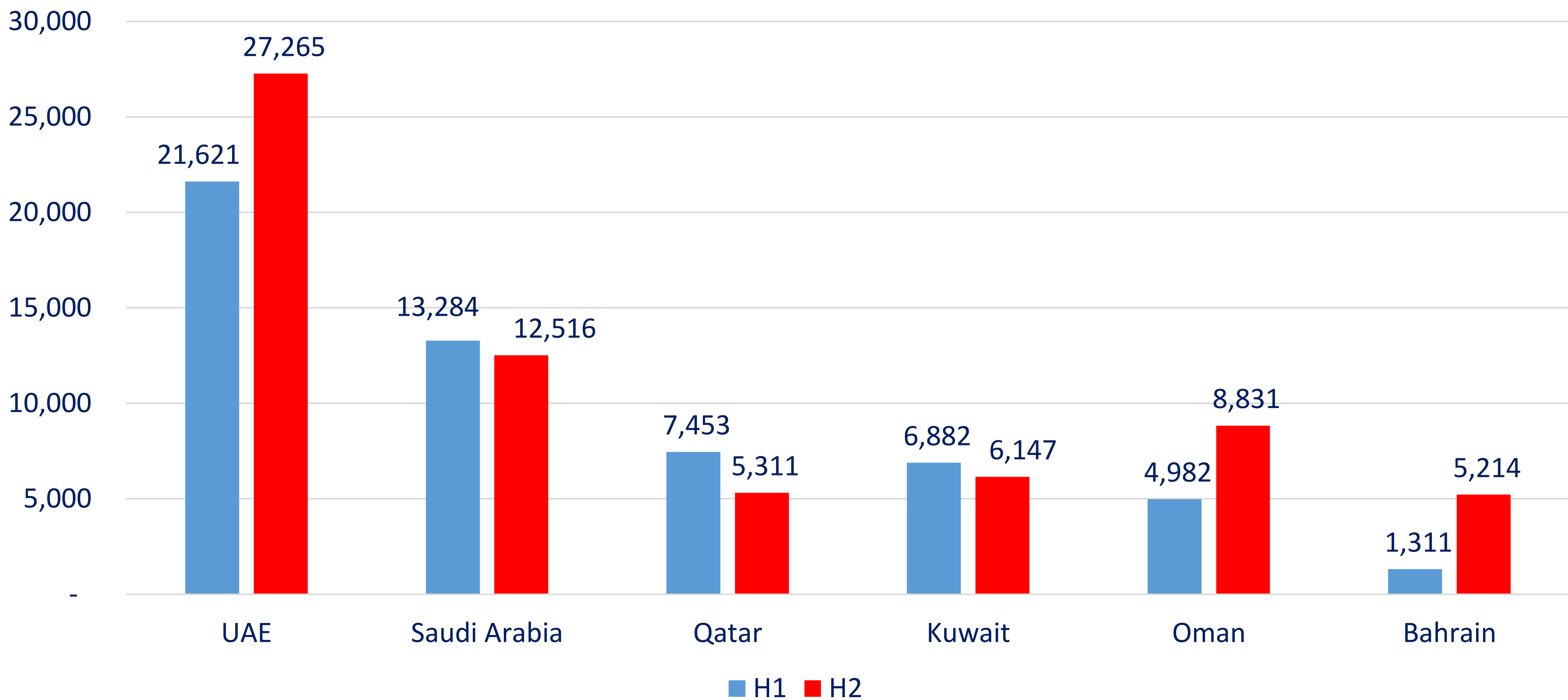
Lower oil prices are of course one of the principal reasons for the decline in project awards in the GCC over the past couple of years. However, there are a number of other factors at play that have acted as an impediment to market activity, ranging from the failure of the PPP model to get going to geopolitical issues between Gulf states.



2017 first half/2017 second half comparison

Indeed, if anything for some markets the second half of 2017 recorded a slowdown compared with the first half of the year. Despite the positive rhetoric emanating from Saudi Arabia, the value of work awarded in the second six months was actually less than the first half of the year, and it was a similar story in Qatar and Kuwait. Conversely, the markets which appear to be less impacted by oil prices, the UAE, Oman and Bahrain, all recorded a notable acceleration in activity in the second half of the year

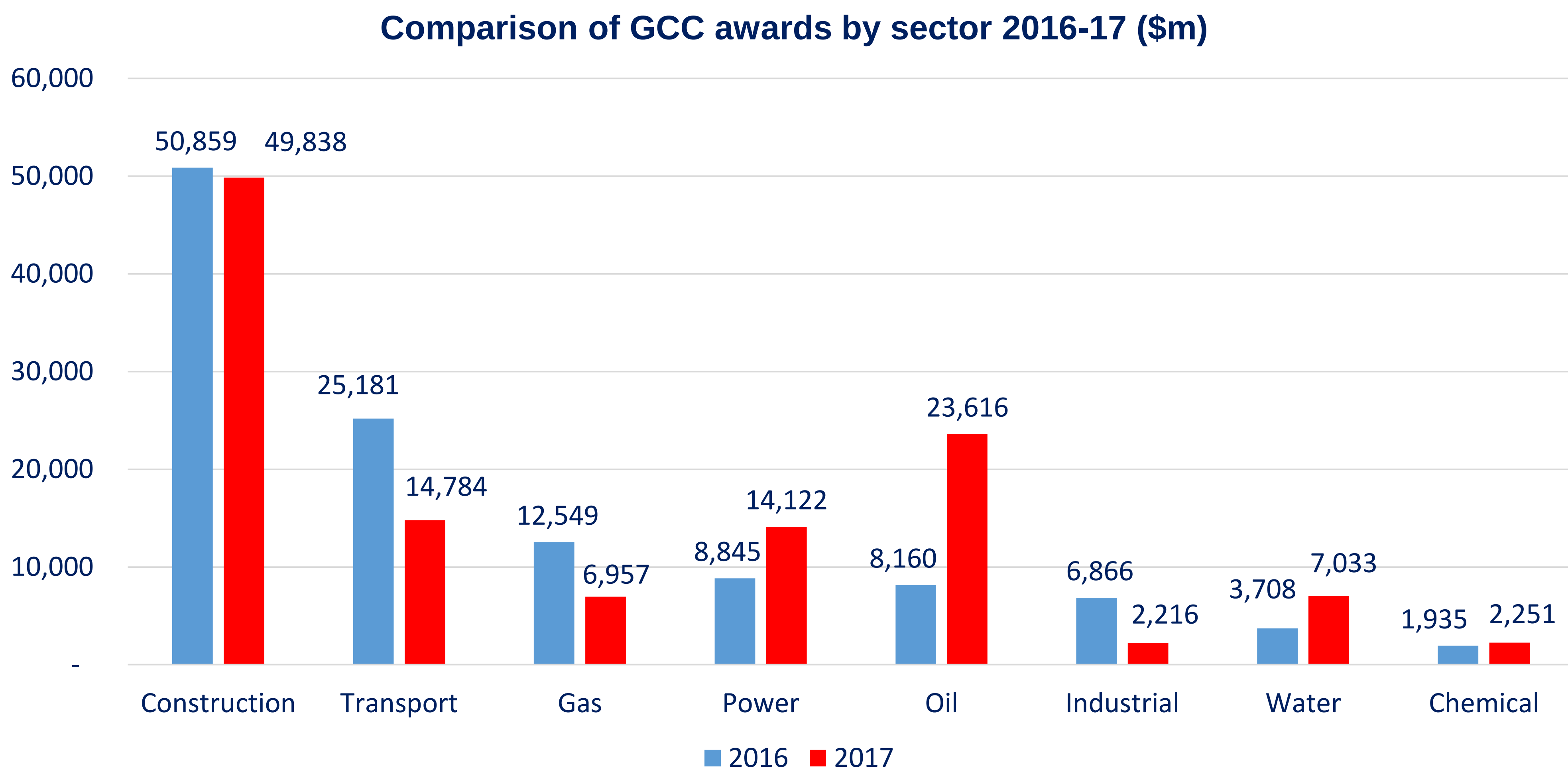
2017 first half vs. 2017 second half comparison of GCC contract awards ($m)



Source: MEED Projects

2016/17 comparison (2)

It was an equally mixed picture for each of the individual market sectors. The largest sector, construction, remained flat year-on-year, but transport, gas and industrial all witnessed signification falls in the value of work awarded last year compared with 2016. These declines were offset by an almost 200% increase in oil contracts and a near doubling of work for the water and power sectors. Regardless, all sectors are still running well below the pre-2015 norm

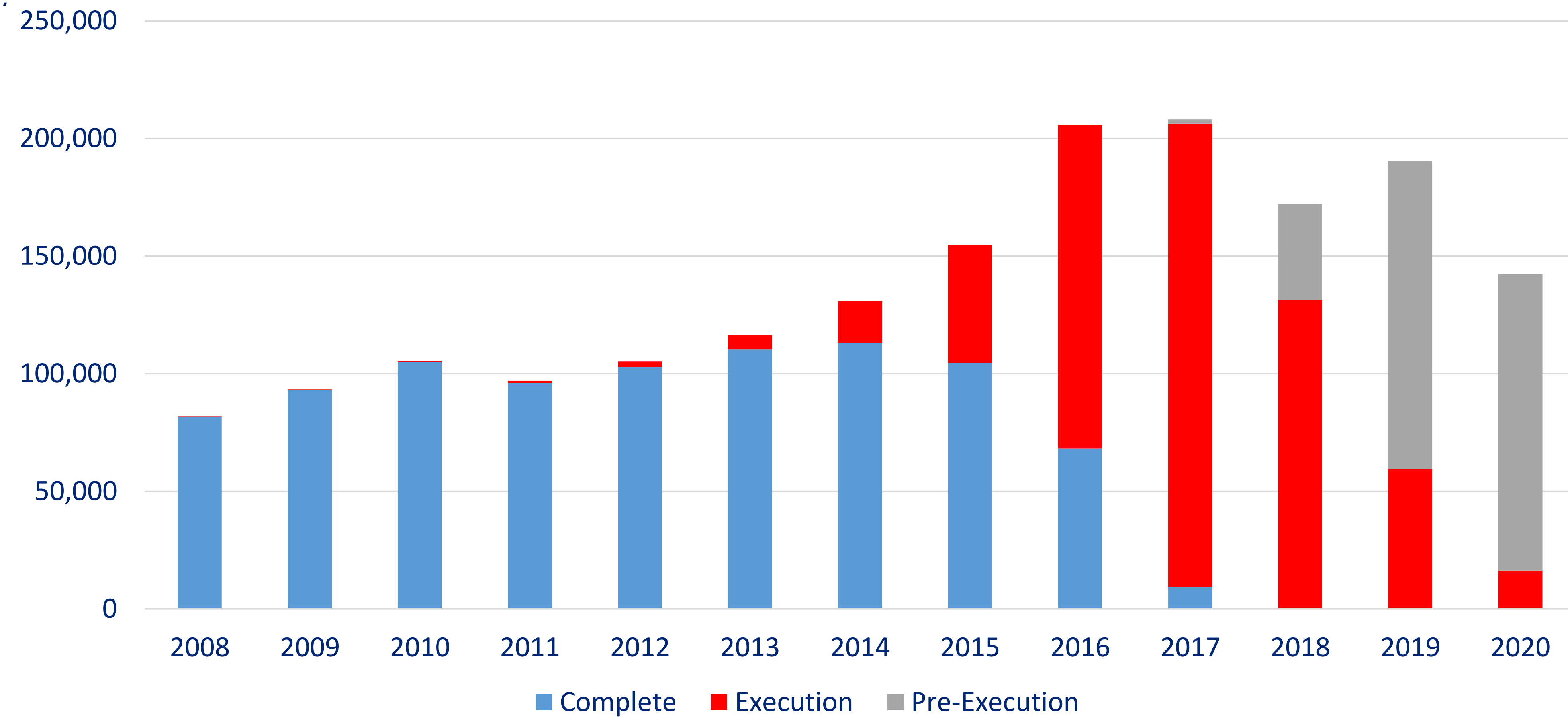


Source: MEED Projects

Cash flow

Due to the nature of project life-cycles, there is a delay in cash flow when compared to project awards. 2016 and 2017 have been a record year for many players further downstream in the project supply chain, even though new main contract project awards for the two years have been at their lowest since 2012. The trickle-down impact of lower contract spending this year will only be felt by companies such as MEP and fit-out contractors in the coming 24 months

GCC contract cash flow values, 2008-20 ($m)



Source: MEED Projects

2017 by area

When it comes to contract awards by individual cities and geographical areas, then one name stands out above all others. Dubai recorded a higher value of deals in 2017 than the whole of Saudi Arabia combined such were the high levels of investment in the emirate, particularly in the residential, tourism and retail sectors. Indeed, without Dubai's projects, the regional market would have been in total meltdown as all other areas have struggled to cope with the downturn

Source: MEED Projects

Factors behind Dubai's performance

Dubai has no meaningful oil and gas production of its own, so why has it performed so well this year when its wealthier and larger neighbours have struggled?

- Strong, committed, risk-taking and centralised leadership – some of these aspects are shared by other GCC states, but are all of them?
- Laws and regulations robust enough to continue attracting investment
- Experienced clients with capacity to spare
- Procurement is outsourced to quasi-government entities with their own funding streams to finance projects without depending on government budgets
- Commitment to its long-term vision which incorporates project spending as a means of stimulating the economy
- Expo 2020 creates impetus – can't delay
- Demand still fairly strong for real estate

BUT

- Debt to GDP ratio = 126%, while debt maturities by the end of 2018 = $52bn. This creates a financing risk in the years to come
- Heavily reliant on confidence in real estate market and growing tourism numbers and thus dependent on the global economy

Top awarded Dubai 2017 projects

Project	Sector	Value ($m)
DEWA - 700 MW Mohammad Bin Rashid Al Maktoum Solar Power Plant CSP - Phase 4	Power	3,866
Nakheel - Deira Islands : Deira Mall (Tender no. DMS 145117)	Construction	1,143
Ithra Dubai - One Zaabeel	Construction	800
Dubai Hills Estate - Dubai Hills Mall	Construction	610
Expo 2020 Bureau - Expo 2020 Development : Thematic District	Construction	599
Al Aseel Investment - Dubai Marina: The Address Jumeirah Gate	Construction	545
Meydan - Meydan One : Meydan One Mall Phase 1A	Construction	435
Nakheel - Palm Jumeirah : Palm Gateway (Tender No. DMS 141324)	Construction	408
Wasl - Wasl Tower (2020T)	Construction	397
Dubai Municipality - Jebel Ali Deep Tunnel Storm Water System Project: Package 2	Water	354
Golf View Limited - Jumeirah Lake Towers : Mixed Use Towers	Construction	280
Seven Tides Development - Jumeirah Lake Towers: Cluster Z Towers	Construction	280
G&Co - MBR City : The Fields	Construction	275
Emaar - Opera District : Forte Towers : Main Works	Construction	258
Nshama - Town Square: Noor Townhouses (764 nos)	Construction	250
Azizi - Azizi Riviera : 10 Residential Buildings (Plot No - 8884651)	Construction	230
Estithmaar / Ian Schrager - JBR : Hotel (Plot No:3920529)	Construction	230
DEWA - Jebel Ali K Power Station : Phase 3 (2131600023)	Power	217
Dubai RTA - Improvements of Parallel Roads (Contract No. R881/3C2)	Transport	216
MOTF - Emirates Towers Business Park: Museum of the Future	Construction	212

Source: MEED Projects

7

Future outlook

The outlook for the projects market in GCC seems positive is still uncertain. Despite increases in the oil price since 2018, there has yet to be trickle-down impact on overall spending levels. Indeed, spending in some markets actually declined in second half of last year compared with the first six months.

If oil does remain above $70 a barrel for a protracted period of time, then there may well be a small pick-up in project activity. However, crude will have to settle above $100 a barrel for at least six months before a return to 2015 levels of project spending can be anticipated.

Even then, it is clear that other factors are impacting overall project spending levels. Driving the market are population and economic growth, government attempts to diversify the economy and create jobs, and the need to maintain spending to keep afloat sections of the economy dependent on projects.

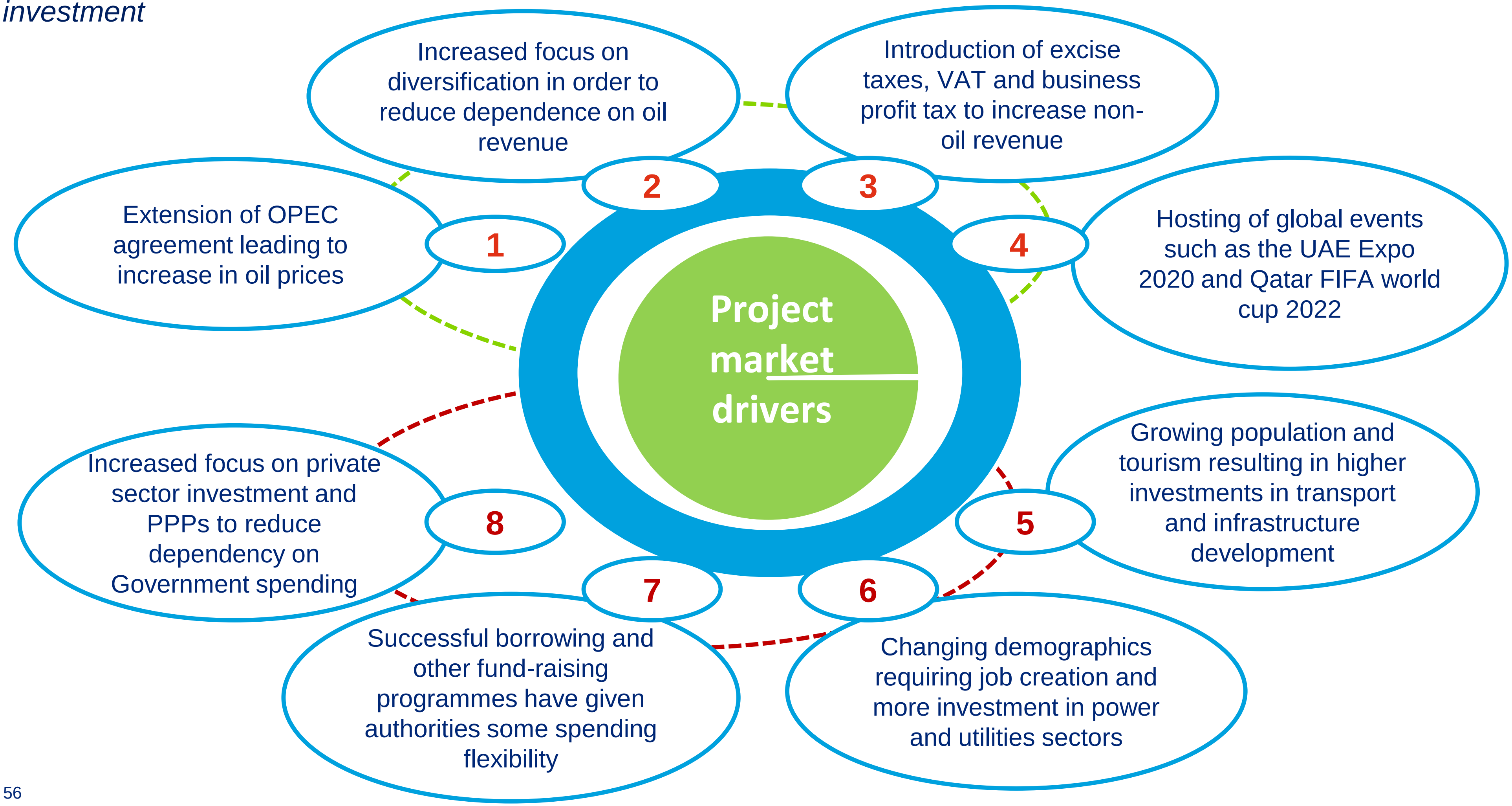
Holding back project development is the failure of PPP projects to get going in the region outside of utilities and airport projects due to a lack of regulations, experience and adequate risk sharing. Also pertinent are the struggles by governments to reform their procurement regulations to free up the major clients in each state to be less dependent on government spending by developing their own revenue streams.

The construction sector, especially in Dubai, is anticipated to retain its dominance over all the other sectors. The hosting of global events such as Expo 2020 and the FIFA 2022 World Cup are expected to drive the construction sector in the coming years.

The transport sector in the GCC region is expected to remain the second largest sector going forward owing to a growing population and workforce. The investment in renewable energy sources and increasing power generation capacity are also likely to act as the major drivers for the growth of power sector in the coming years, while oil and gas will maintain their customary investment cycles in the region, albeit with an increased focus on harder and more expensive to extract oil and gas reserves.

2018-22 project market drivers

Despite the challenges facing the market today, there are still undoubtedly a number of market drivers that will continue to have an impact on 2018 and beyond. Economic diversification, a growing population, privatisation, and rising oil prices are expected to be the major market drivers in 2018 and in the coming years. At the same time, GCC governments know they must continue to invest in social infrastructure such as housing, education and healthcare to ensure the prosperity of their nations. Localised drivers such as the FIFA 2022 World Cup, and 2020 World Expo in Dubai also act as a stimulus for investment



Top awarded 2018 projects YTD

Project	Country	Value ($m)
Adnoc Refining - Ruwais Refinery Upgrade : Crude Flexibility Project	UAE	3,100
PIF - Sharma Complex : Royal Residential Buildings (Package 1)	Saudi Arabia	2,000
Saudi National Guard - Housing Development: Phase 1	Saudi Arabia	1,300
PIF - Sharma Complex : Royal Residential Buildings (Package 2)	Saudi Arabia	1,000
Dubai Municipality - Al-Warsan Waste-to-Energy Thermal Recycling Plant	UAE	865
PIF - Sharma Complex : Royal Residential Buildings (Infrastructure Works)	Saudi Arabia	500
PIF - Sharma Complex : Royal Residential Buildings (Package 3)	Saudi Arabia	500
Adnoc Refining - Waste Heat Recovery Project	UAE	473
Adnoc Offshore - Zirku Facilities Capacity Enhancement Project	UAE	378
Ashghal-Expressway Programme: Construction & Upgrade of Mesaimeer Road(P008-C3)	Qatar	370
MOW - Tubli WPCC Wastewater Treatment Plant Expansion	Bahrain	366
DWTC - Expo 2020 Development : Conference & Exhibition Centre	UAE	353
REPDO - Renewable Energy Program: Round I- Phase 1 :300MW Sakaka PV Power Plant	Saudi Arabia	302
DEWA - Aweer Power Station H : Phase 4	UAE	300
Saudi Aramco - AH Transportation in East West Corridor : Pipeline Package 1	Saudi Arabia	300
SV Pittie Sohar Textile - Cotton Yarn Plant	Oman	300
Supreme Committee for Delivery and Legacy - Stadium: HIA (4th Precinct)	Qatar	275
Dubai Municipality - Jebel Ali Deep Tunnel Storm Water System Project: Package 1	UAE	272
MPW - Regional Road South Part Project: Southern Section (Tender no:RA/241)	Kuwait	260
MPW - Network & Water Treatment Tanks for D1 (Tender No : SE158)	Kuwait	257

Source: MEED Projects

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Selected new projects announced in 2018

Project	Country	Value ($m)
DGCA - North Kuwait Airport	Kuwait	12,000
PIF - New Jeddah Downtown	Saudi Arabia	5,000
Taif Municipality - Taif Public Transport Network	Saudi Arabia	5,000
REPDO - Renewable Energy Program: Round I - Phase 3	Saudi Arabia	4,000
Saudi Aramco - King Salman Energy Park's Development (SPARK)	Saudi Arabia	3,000
Shomoul Holding - The Avenues Riyadh : Mixed Use Development	Saudi Arabia	2,700
Aldar Properties - Al Ghadeer : Phase 2	UAE	2,620
Ali Cloud Investment / Loulouat Alsharq Company JV : Knooz Al Sharq City	UAE	1,900
DOE - Second Power Plant (IPP) In Abu Dhabi	UAE	1,500
Ariane Real Estate - Lusail Development: Yasmeen City	Qatar	1,200
Hassyan Energy Company - Hassyan Coal Fired IPP (Phase 3)	UAE	1,200
DOE - Taweelah Reverse Osmosis IWP	UAE	1,200
National Tire Company - Tyre Plant In Jubail	Saudi Arabia	1,000
SAGIA - Mixed Use Development (25,000 units)	Saudi Arabia	1,000
Al Yasat Petroleum Operations - Belbazem Field	UAE	1,000
Shomoul Holding - The Avenues Riyadh : Mall	Saudi Arabia	1,000
Emaar Properties / Aldar Properties JV - Saadiyat Island: Saadiyat Grove	UAE	1,000
Aramco Bahri Lamprell HHI - KSIMC: Package 5	Saudi Arabia	1,000
Aramco Bahri Lamprell HHI - KSIMC: Package 6	Saudi Arabia	1,000
QAF - New Naval Base (Buildings and In-Block Infrastructure)	Qatar	1,000

Source: MEED Projects

2018-22 forecast

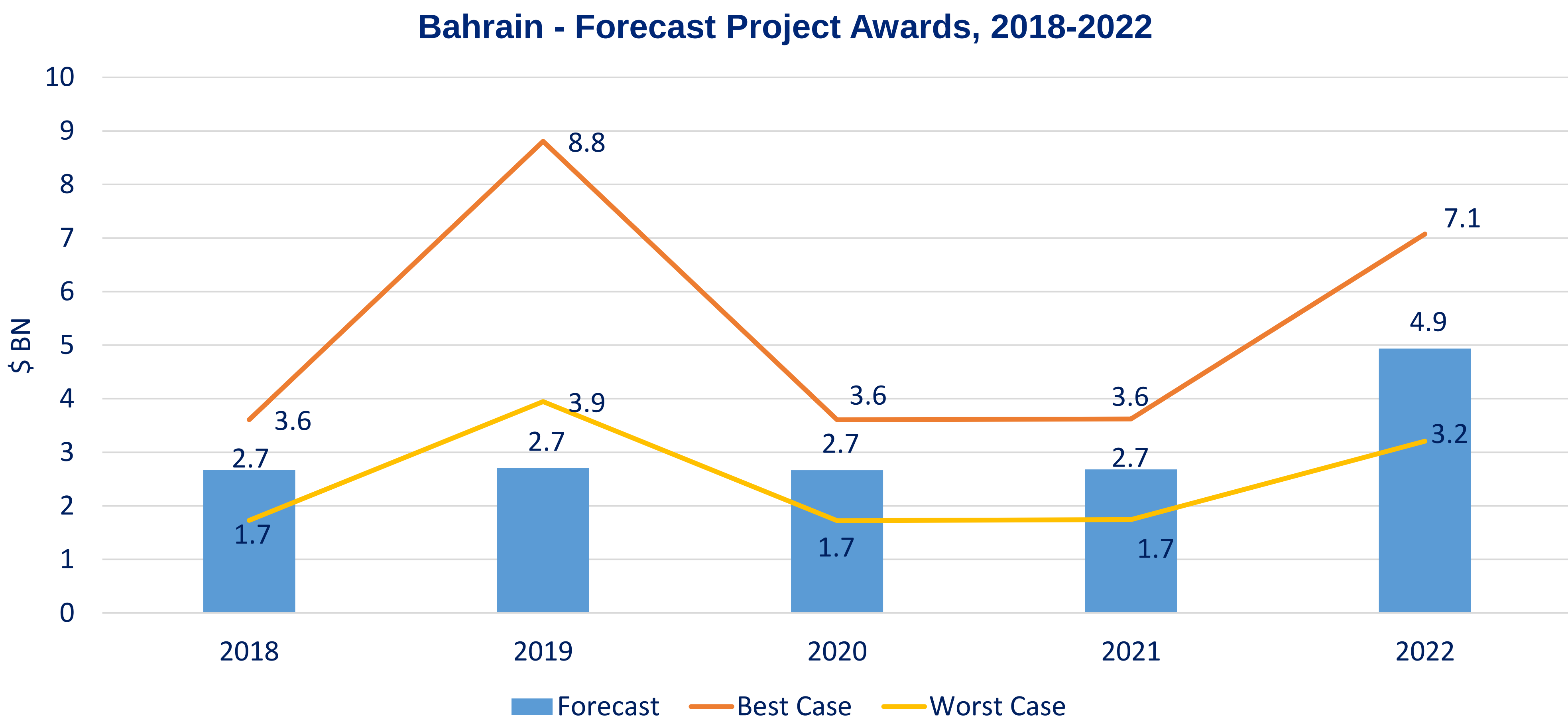
MEED employs a number of stochastic models to forecast the future projects market. This involves a variety of inputs based on historical data from various recent macro data sources such as the IMF and World Bank. Based on the historical correlations combined with the known future pipeline of projects a forecasting model is then developed using forecast macro data to predict the value of project awards.

Therefore, the forecast takes into account economic and population growth, the forecast price of oil, and the pool of more than 2,500-plus known and un-awarded future projects in the GCC.

The forecast is divided into best case, worst case, and base case scenarios. For example, a best case scenario will be predicated on GDP growth and oil prices will both being higher than anticipated, while a worst case scenario will be based on a more pessimistic outlook.

Bahrain 2018-22 forecast

Bahrain is the smallest projects market in the GCC, a fact that is not expected to change for the foreseeable future given the relative economic size of the kingdom and its population. It remains highly dependent on external funding from its GCC neighbours and due to the small size of its market, can be impacted by just a handful of large projects being awarded in a particular year. However, it has successfully developed a projects market that is independent of oil price variances and therefore has remained relatively immune to the crude slide, even posting increases in project awards over the past two years



Source: MEED Projects

Selected top Bahrain projects scheduled for award in 2018

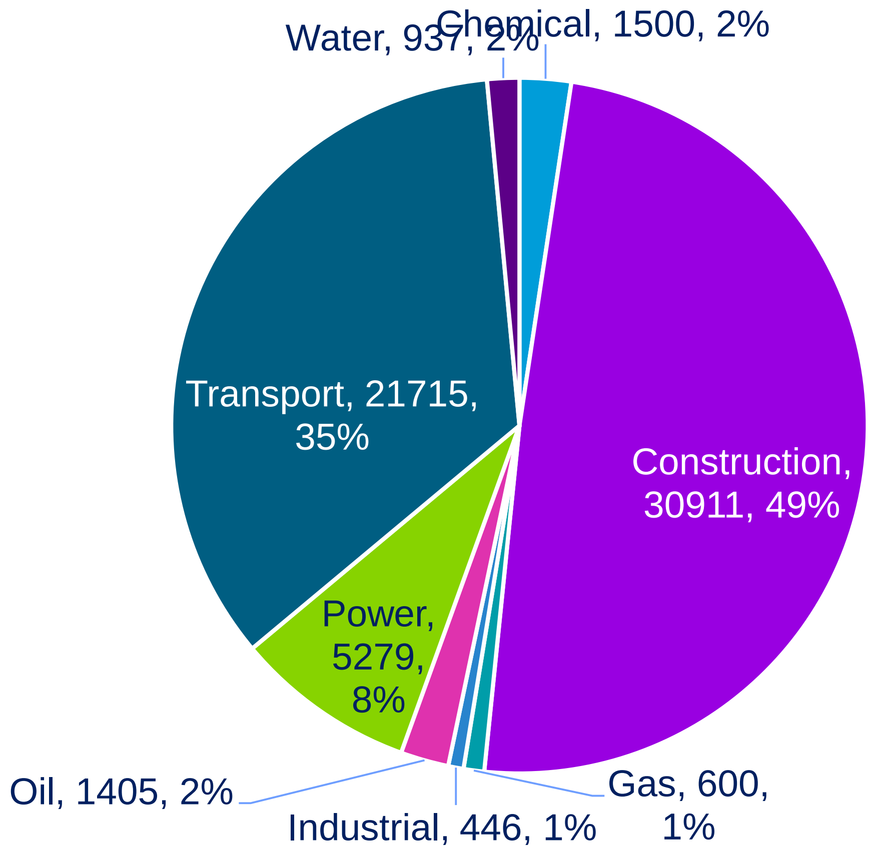
Project	Sector	Value ($m)
Global Real Estate Development Company (Gredco) - Marsa Al Seef Development	Construction	2,500
MEW - Al Dur 2 IWPP	Power	2,000
Manara Development Company - Nurana Mixed-use Development	Construction	947
MOIC - Integrated Solid Waste & Desalination Plant	Water	848
MOH - East Sitra Housing Project : 5000 Housing Units	Construction	700
Manara Developments - Hasabi Residential Development	Construction	653
Bahrain Tourism and Exhibition Authority - Exhibition and Conference Centre	Construction	500
AJM Kooheji Group - Bahrain Bay : KGH Tower	Construction	300
Diyar Al Muharraq / Eagle Hills - The Address: Marassi Al Bahrain	Construction	300
Eagle Hills - Vida Marassi Al Bahrain	Construction	300
MEW - 400kV Cable Works for Ras Legrain 400kV Substation	Power	300
MOW - SKBS Highway Widening Phase-1 (Al Farooq to Saar Interchange)	Transport	254
Arabian Gulf University - King Abdullahbin Abdulaziz Medical City : Package2	Construction	246
Edamah: Fairmont Bahrain Resort	Construction	200
MEW - 100 MW IPP Solar PV Plant	Power	200
MOW - SKBS Highway Widening Phase-2 (Saar Interchange to Zallaq Bridge)	Transport	190
Diyar Al Muharraq / Eagle Hills - Marassi Galleria	Construction	150
MOH - Hi Tech Sports Stadium in Sakhir	Construction	150
Gulf Finance House - Bahrain Financial Harbour: Harbour North	Construction	140
MOW - Multi-Storey Tower (Future Generation Reserve)	Construction	140

Source: MEED Projects

Bahrain future project pipeline by sector

With few oil and gas reserves of its own, the future projects market in Bahrain is dominated by the construction and transport sectors comprising about 49% and 35% of the future projects pipeline respectively. The construction sector mainly comprises social infrastructure schemes, including housing, education, and healthcare. The transport sector consists of major projects such as the new King Hamad Causeway linking Saudi Arabia and Bahrain, and a new international airport to replace the existing facility. Other sectors are small in comparison as might be expected in the region's smallest projects market.

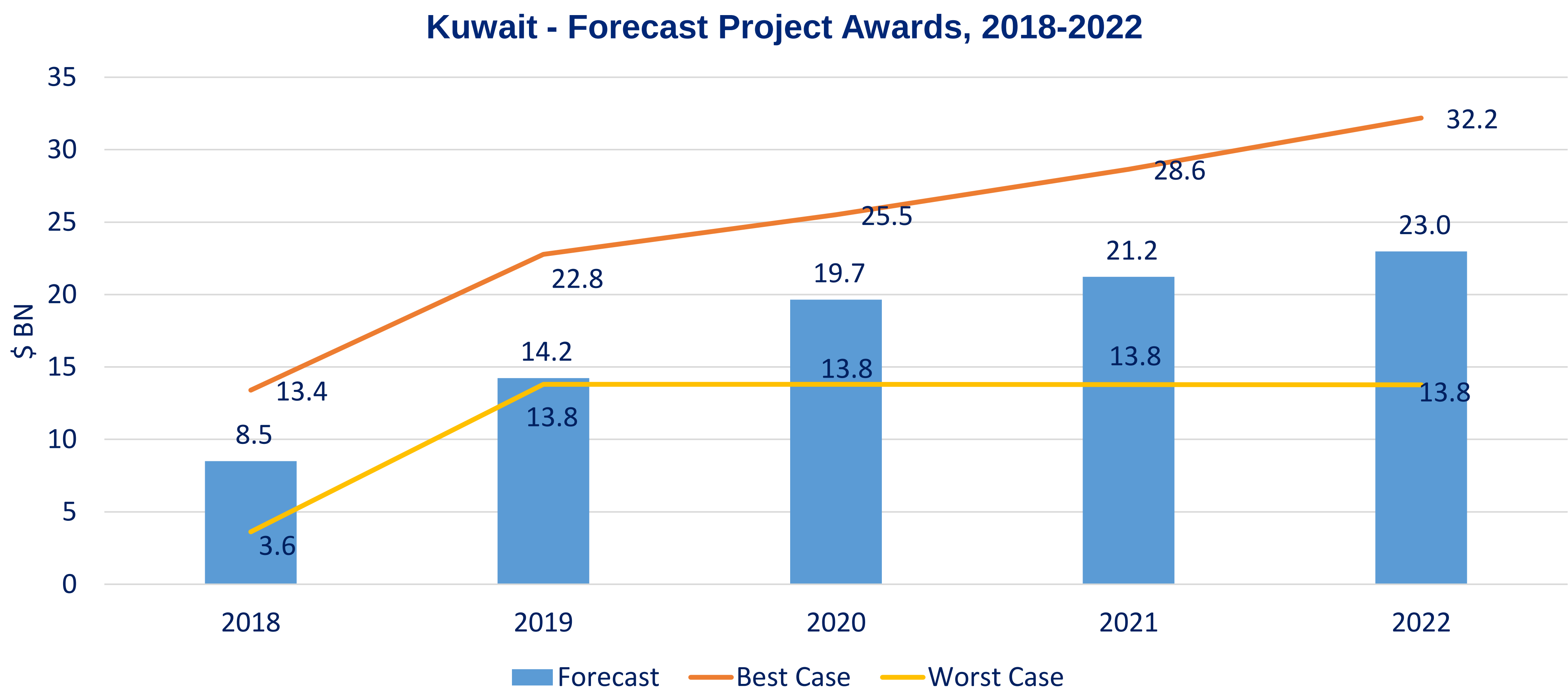
Bahrain future project breakdown by sector ($m)



Source: MEED Projects

Kuwait 2018-22 forecast

Kuwait has historically underperformed when it comes to projects spending due to the government's inability to proceed with its projects plans, interference by the National Assembly, and the generally de-centralized nature of procurement in the state that results in multiple project delays and cancellations. While Kuwait's performance in the past two years is considerably worse than 2014 and 2015 this was mainly due to the massive investment in the $30bn-plus clean fuels and Al-Zour refinery programmes over that period. In reality, the value of contract awards in 2016 and 2017 is within the historical norm. That said, the future outlook will be largely dependent on whether Kuwait can get its PPP programme to work, a factor which is by no means assured



Source: MEED Projects

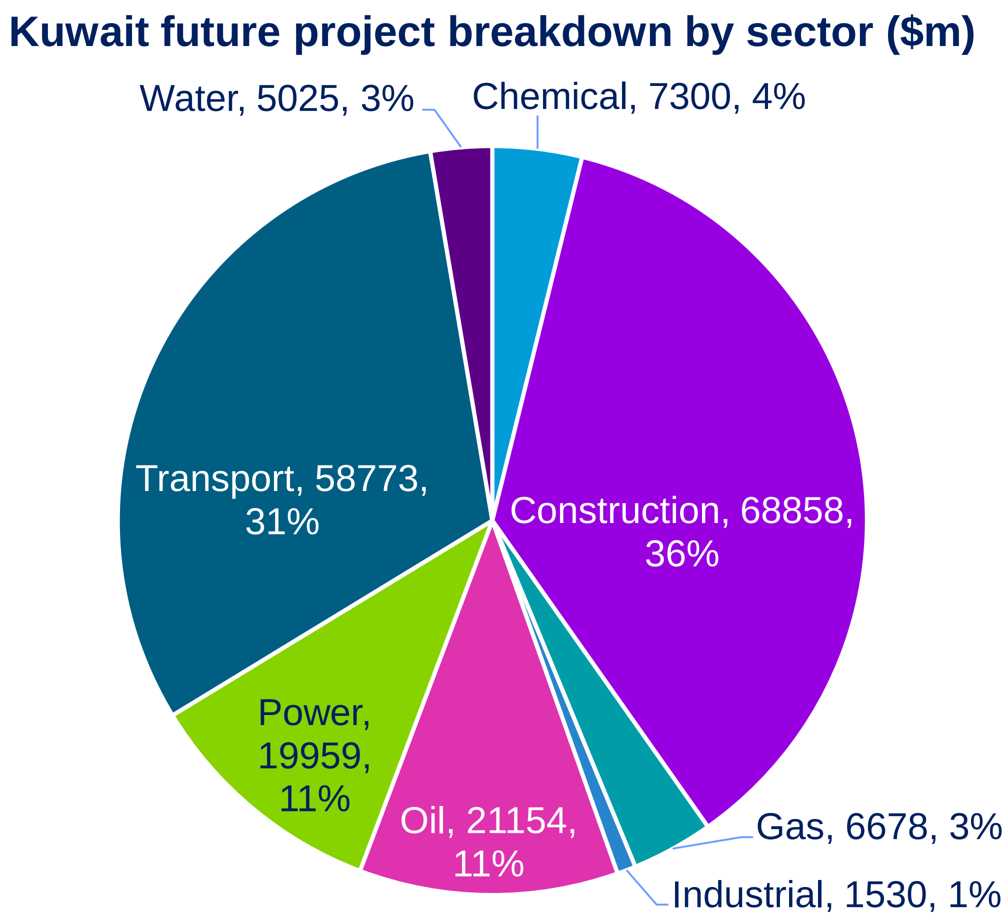
Selected top Kuwait projects scheduled for award in 2018

Project	Sector	Value ($m)
KOC - Jurassic Gas Facility : Phase 1 (RFP-2032051)	Gas	3,643
MEW - Nuwaiseeb Power and Water Desalination Plant	Power	3,000
KOC - Jurassic Non Associated Oil & Gas Reserves Expansion: Phase 3	Gas	1,900
US Army Corps of Engineers - Kuwait Armed Forces Hospital	Construction	1,700
PAHW - Jahra & Sulaibiya Low Cost Housing City	Construction	1,566
KOC - Upgrade of 14 Gathering Centres:South And East Kuwait	Oil	1,200
MPW - Al Jahra Ministerial Complex (Tender No: MPW / 226)	Construction	1,200
Kuwait National Guard - Kazema Camp Project (12/2013/2014)	Construction	1,000
MPW - Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3B & 3C	Transport	1,000
Amiri Diwan - New Palace of Justice (Tender No. A D / H / 130)	Construction	800
KNPC - Local Marketing Depot At Matlaa	Oil	800
MPW - Regional Road South Part Project: Central Section (Tender No: RA/242)	Transport	750
KAPP - Al Abdaliya Integrated Solar Combined Cycle (ISCC) Power Plant (CSP)	Power	720
KNPC - Enhancement of Metering/Custody Transfer Facilities	Oil	647
MPW-Northern Regional Road from Al Salmi Road to Abdaly Road Junction (RA/246)	Transport	600
MOH - New Ibn Sina Hospital	Construction	560
KOC - KERP Bio Remediation ESK - 1 (RFP-2017924)	Oil	500
KOC - KERP Bio Remediation South East Kuwait - 2	Oil	500
MPW - New Pediatric Hospital in Al-Sabah Medical Area	Construction	500
MPW - Wastewater Treatment Plant in South Al-Mutalaa Area	Water	497

Source: MEED Projects

Kuwait future project pipeline by sector

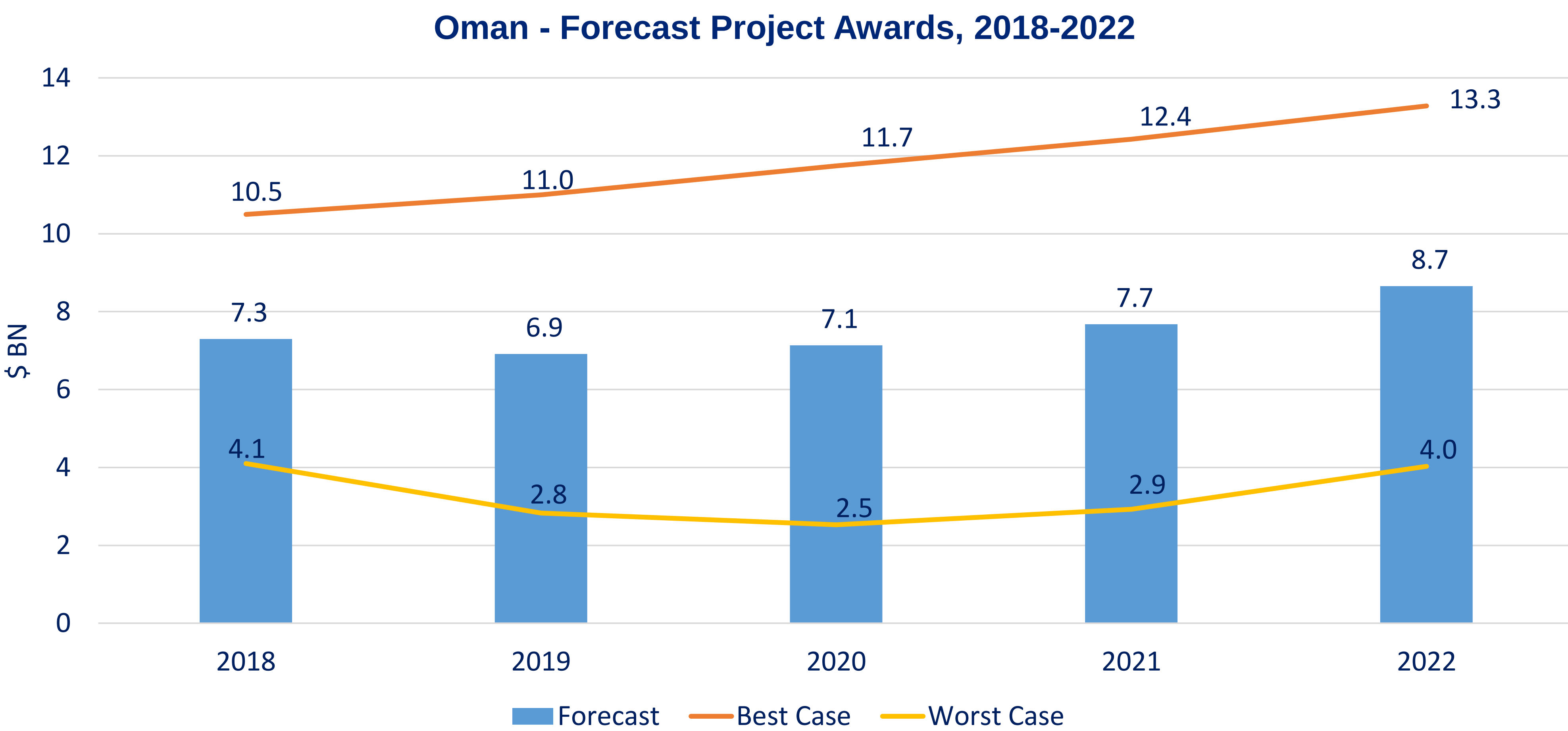
Public sector construction is the largest single future sector in Kuwait, comprising chiefly of new government buildings and the multi-billion-dollar new cities programme planned by the Public Authority for Housing Welfare. Transport in the form of a new airport, the ongoing road programme, and the planned metro and overland networks is the second largest sector, while the state's new power generation projects programme is highlighted by its third place ranking



Source: MEED Projects

Oman 2018-22 forecast

Oman is historically the region's second smallest market, but in recent years has actually withstood the downturn to perform better than Qatar and Kuwait. This is thanks to a handful of large contracts, such as those on the new Duqm refinery, which are project financed and not dependent on government spending. Going forward, the outlook for the market will hinge on external investments in Duqm and other major schemes such as the second phase Khazzan tight gas project and the minerals railway going ahead



Source: MEED Projects

Selected top Oman projects scheduled for award in 2018

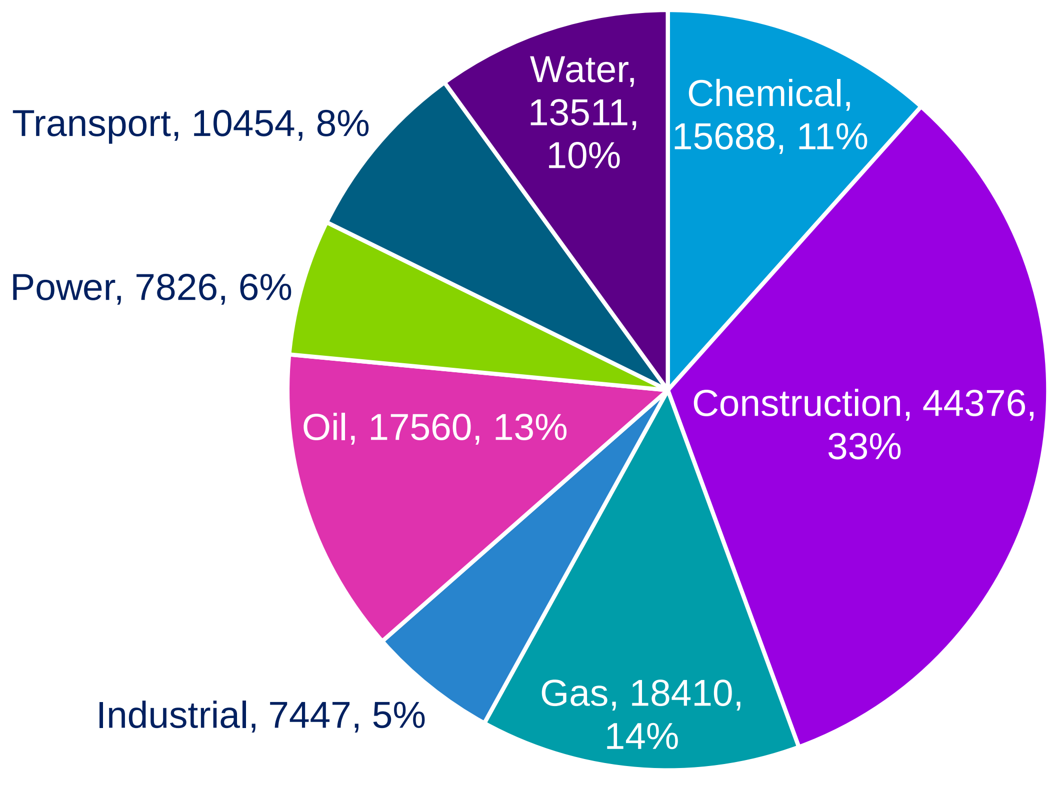
Project	Sector	Value ($m)
SEZAD - Northern and Central Industrial Zone	Construction	6,186
Mingyuan Holdings Group - SEZAD: Methanol to Olefins (MTO) Plant	Chemical	2,800
Oman Global Logistics Group - Khazaen Logistics Hub	Industrial	1,950
OTTCO - Ras Markaz Crude Storage Terminal : Phase 1	Oil	1,756
OTTCO - Ras Markaz Crude Storage Terminal	Oil	1,243
ASAAS- Hayy Al Sharq	Construction	1,000
Government of Oman/BP Global: Petrochemical Project: Acetic Acid Plant	Chemical	1,000
PDO - Gas to Power Facility	Power	1,000
Centralised Utilities Company (Marafiq) - Duqm Power and Desalination Plant	Power	800
Ghantoot Group- Duqm Biofertiliser Plant	Chemical	700
Trescorp - Oil Storage and Bunker Services in Sohar port	Oil	600
BRBD/Amouage Hotels and Resorts LLC - Naseem A'Sabaa : Phase 1	Construction	500
Duqm Beach Touristic Resort LLC - Duqm Beach Resort	Construction	500
Oman Sugar Refinery - Oman Food Complex	Industrial	500
OPWP - Solar PV IPP at Ibri (Tender No: 21/2017)	Power	500
PAEW - Water Transmission System from Sohar to Al Dhahirah	Water	500
OMPET - Sohar Purified Terephthalic Acid (PTA)	Chemical	400

Source: MEED Projects

Oman future project pipeline by sector

Like most other GCC states, construction in Oman is the largest individual sector in the projects pipeline. Much of this, like elsewhere, is in housing, tourism and retail as the authorities seek ensure adequate accommodation for the sultanate's fast-growing, young population. What is more unusual is that other sectors are all roughly equal thanks to the varied nature of the local projects market. Water, due to the country's large geographical area ensuring the need for long distance pipelines, plays a particularly important role in the future breakdown

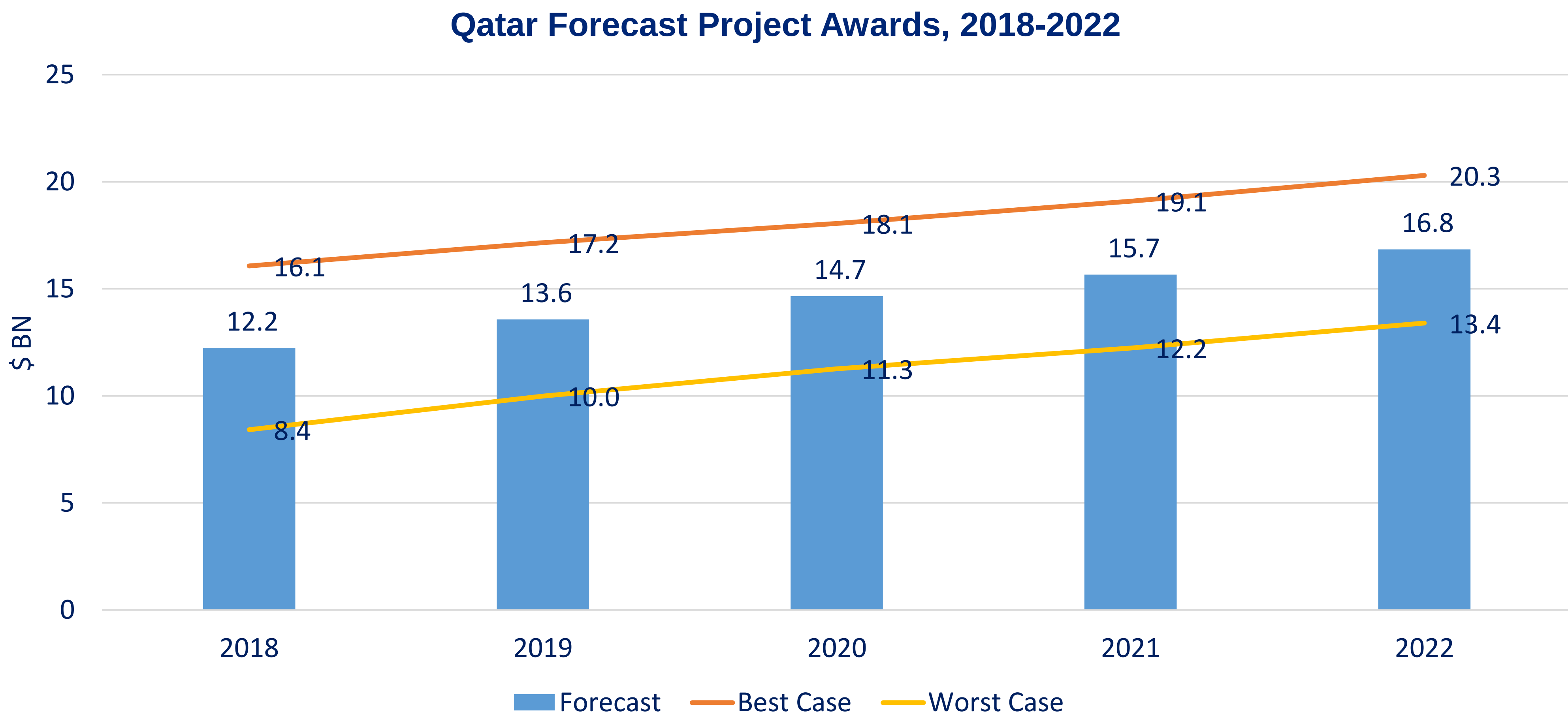
Oman future project breakdown by sector ($m)



Source: MEED Projects

Qatar 2018-22 forecast

Qatar has a strong fiscal position which enables it to invest a huge amount in infrastructure development. It is also focused on diversifying its economy and investing in non-oil sectors. Indeed, with the FIFA 2022 World Cup looming, a number of major projects such the metro extension and second phase of Hamad Port have been accelerated in order to showcase the state in time for the global event. As a result, spending is expected to increase somewhat over the next two years as final touches are made to infrastructure, hotels, and utilities to ensure the state's readiness for the tournament. However, there is considerable uncertainty as to what happens after the event



Source: MEED Projects

Selected top Qatar projects scheduled for award in 2018

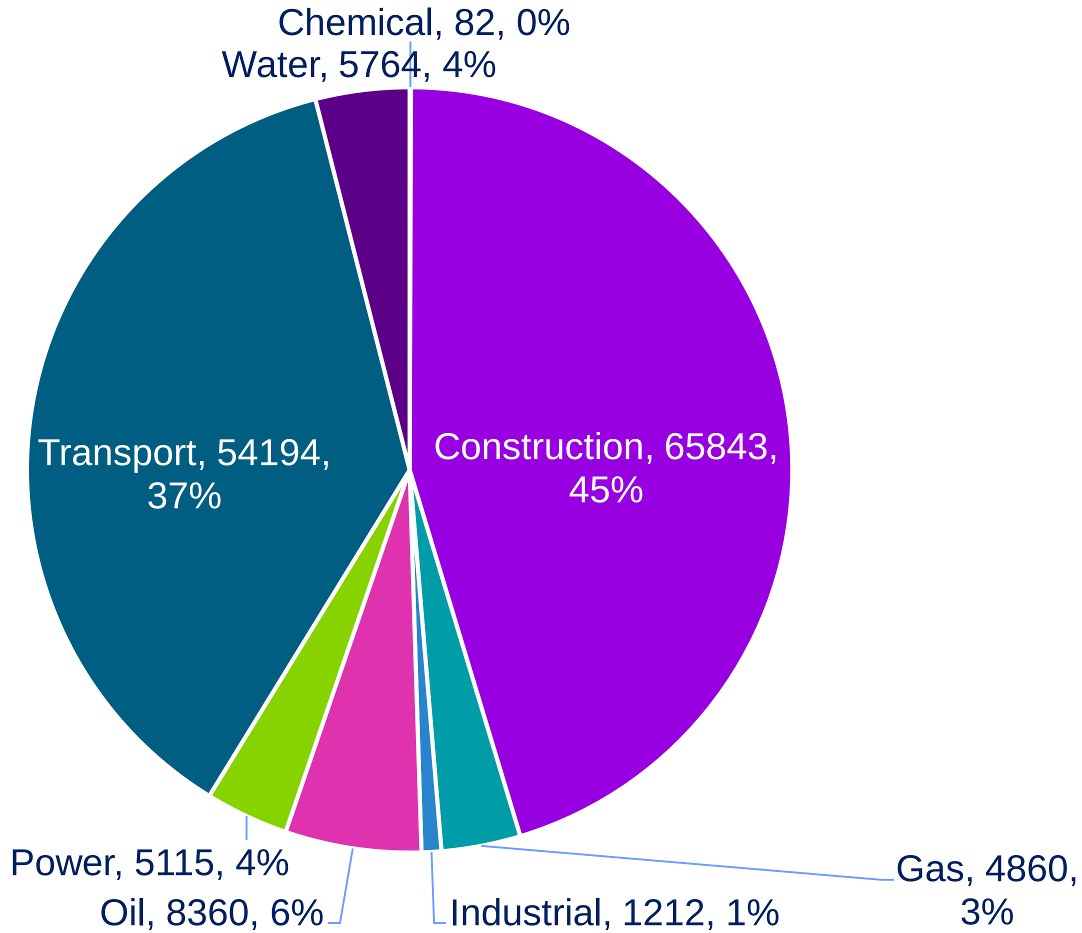
Project	Sector	Value ($m)
KAHRAMAA - Facility E IWPP	Power	3,000
QAF - New Naval Base (Buildings and In-Block Infrastructure)	Construction	2,500
Qatar Airways - Hamad International Airport Expansion: Main Terminal Extension	Transport	2,500
LREDC - Lusail Development : Lusail Plaza Towers (4 nos.)	Construction	1,920
Qatar Airways - Hamad International Airport Expansion: Concourse D and E	Transport	1,700
LREDC - Lusail Development: Lusail Museum	Construction	650
Qatar Armed Forces - Compound Villas: Al Mazroaha (1419 nos.)	Construction	640
Qatar Armed Forces - Compound Villas: Sailiyah (1437 nos.)	Construction	640
ASHGHAL - LRDP - Qatar North: Al Khor Town	Transport	631
ASHGHAL - Expressway Programme: North Road: Al-Zubara Road Phase 4 (P016)	Transport	604
ASHGHAL - LRDP - Doha North: Doha North Sewerage Schemes PH3 -Al Duhail CP 746/3	Transport	535
ASHGHAL - LRDP - Doha North: Roads in Umm Salal Mohammed Phase - 2	Transport	535
ASHGHAL - LRDP - Doha North: Sewerage Schemes PH3 - Al Um Salal CP 746/1	Transport	535
ASHGHAL - Microtunneliing and Pipe Jacking (Drainage)	Transport	500
ASHGHAL - New Doha Zoo Main Works	Construction	500
Katara Hospitality - Lusail Marina Iconic Development: Package 3	Construction	500
North Oil Company - Al Shaheen Offshore Field Work Upgrade	Oil	500
Oxy - Idd e Shargi North Dome Expansion Phase 5:Installation of Subsea Pipelines	Oil	500
Qatar Airways - Hamad International Airport Expansion: Concourse F	Transport	500
Qatar Airways - HIA Expansion: Western Airfield Expansion	Transport	500

Source: MEED Projects

Qatar future project pipeline by sector

With very little need currently for future oil, gas and utilities development following the completion of its LNG programme in the mid 2000's, Qatar's primary projects focus is on the construction and transport sectors. On the former, the emphasis is on hotels, retail and residential construction in the run-up to the FIFA 2022 World Cup, while the latter is comprised mainly of the expansion of the Hamad International Airport and the second phase of the Doha metro project

Qatar future project breakdown by sector ($m)

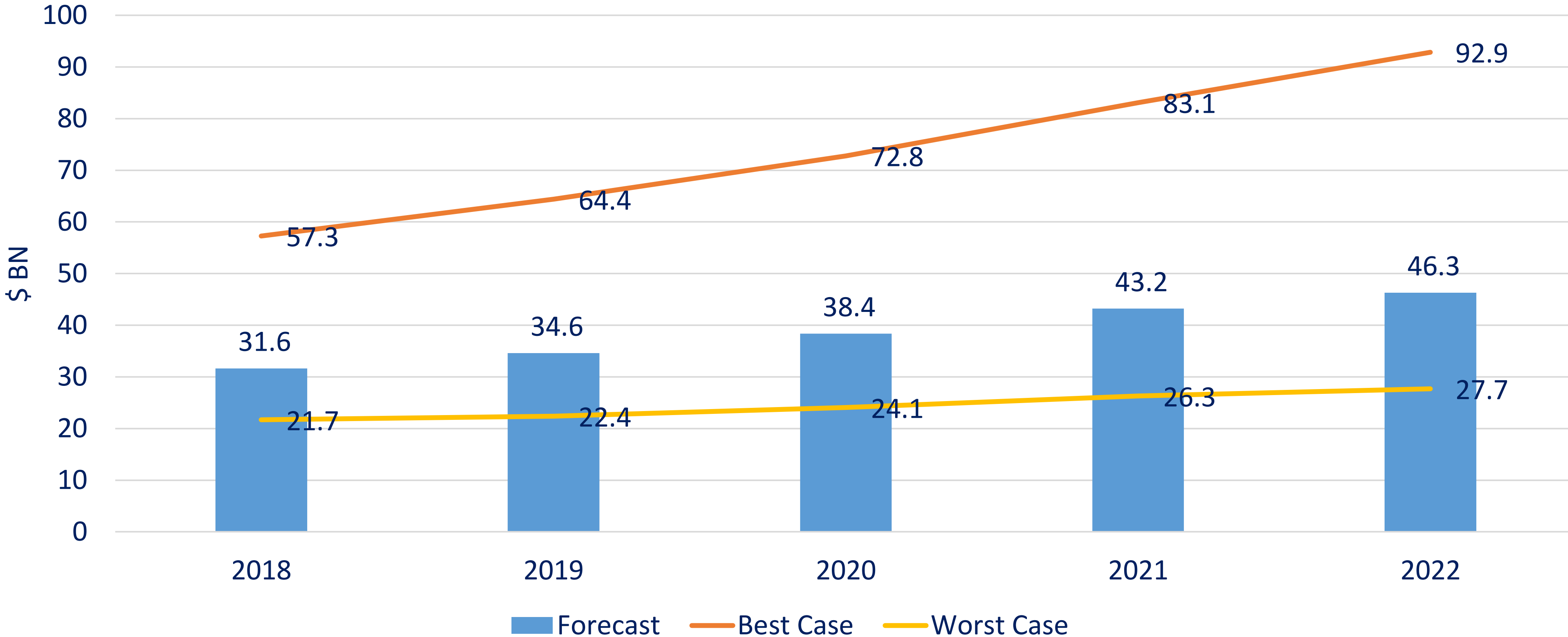


Source: MEED Projects

Saudi Arabia 2018-22 forecast

Saudi Arabia was the biggest projects market in the GCC region, but has been the market most affected by the decline in oil prices; falling from more than $50 billion a year of projects in 2015 to less than half that in 2016 and 2017. Although there has been some bullish statements coming out of Riyadh regarding its projects plans, facts on the ground seem to suggest that activity is happening a lot slower than hoped. Nonetheless, with the region's largest economy and population combined with rising oil prices, the kingdom cannot continue to underperform for long. Much will therefore depend on the government being able to relax its procurement processes and free up the market to make quicker decisions and have more autonomy on spending decisions

Saudi Arabia - Forecast Project Awards



Source: MEED Projects

Selected top Saudi Arabia projects scheduled for award in 2018

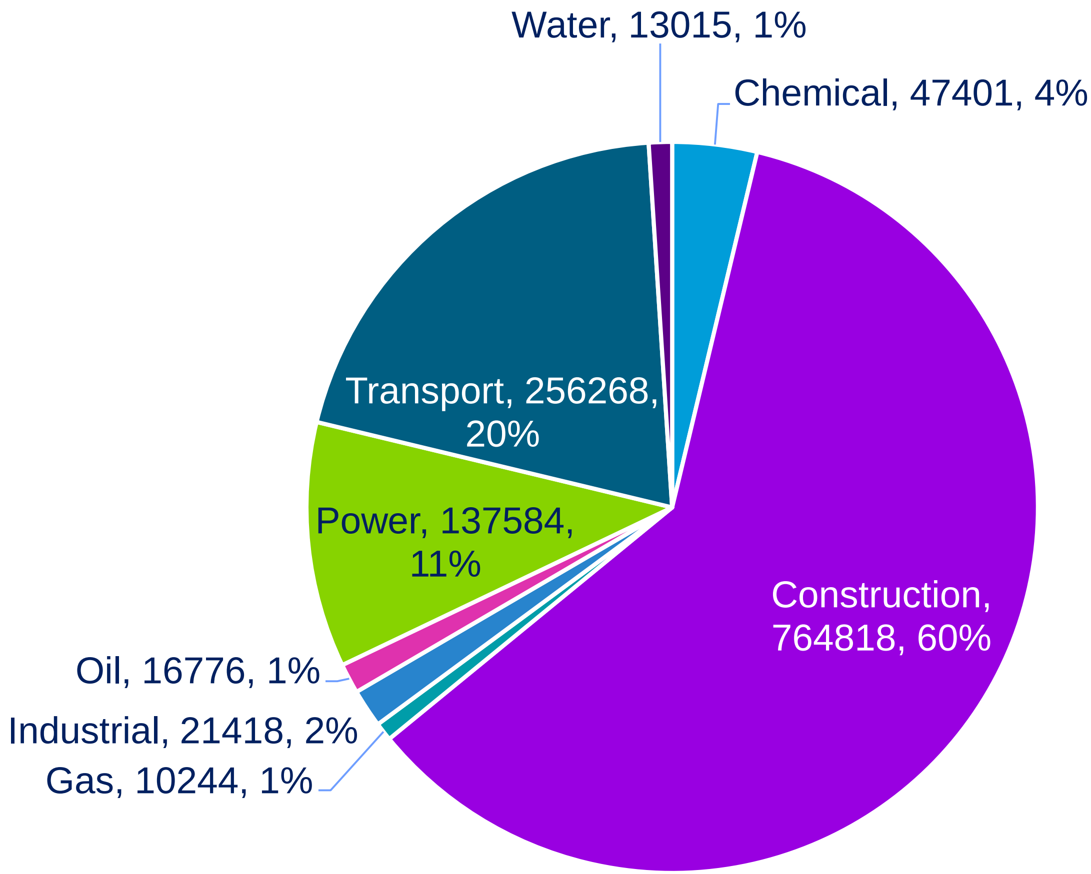
Project	Sector	Value ($m)
KA-CARE - Nuclear Power Reactor	Power	60,000
JDURC - Heart of Jeddah Development (HOJ)	Construction	19,640
PIF - Roua Al Madinah	Construction	10,000
PIF- Roua Al Haram	Construction	10,000
KA-CARE - Nuclear Power Reactor: Package 1	Power	8,000
Maaden - Third Phosphate Fertiliser Manufacturing Facility	Chemical	6,400
JDURC - Murooj Jeddah (Wadi Al Asla)	Construction	5,500
Taif Municipality - Taif Public Transport Network	Transport	5,000
Shumool Real Estate - The Avenues Riyadh	Construction	3,733
MMRTC - Mecca Metro: Phase 1 (Lines B, C): Part 1: Package 3 (SYS)	Transport	3,547
PSCC - Mixed Use Development In Jeddah	Construction	3,310
MMRTC - Mecca Metro: Phase 1 (Lines B, C): Part 1: Civil: Package 1	Transport	2,653
SEC - Shuqaiq Power Plant Expansion : Phase 1	Power	2,500
SEC - Al Rais Power Plant : Phase 2	Power	2,000
YALJ - Kaaki Development in Mecca	Construction	2,000
MOH - Taif Housing Project	Construction	1,950
MOWE - Saudi Turkey Power Interconnection	Power	1,500
Murooj Jeddah Company - Murooj Jeddah (Wadi Al Asla): Infrastructure	Transport	1,500
Private Developer - Hail Integrated Steel Complex	Industrial	1,500
SEC - Jeddah South Power Plant Expansion	Power	1,500

Source: MEED Projects

Saudi Arabia future project pipeline by sector

At the heart of Saudi social policy is the need to build hundreds of thousands of affordable housing units for its young and fast-growing population. Its $100bn-plus housing programme is at the centre of future housing plans, and comprises a major element of future spending as of course does the $500 billion Neom city in the northwest of the kingdom. Transport, in the form of new railways and airport modernisation programmes, is another significant sector as is power and the government's ambitious renewable and nuclear energy programmes

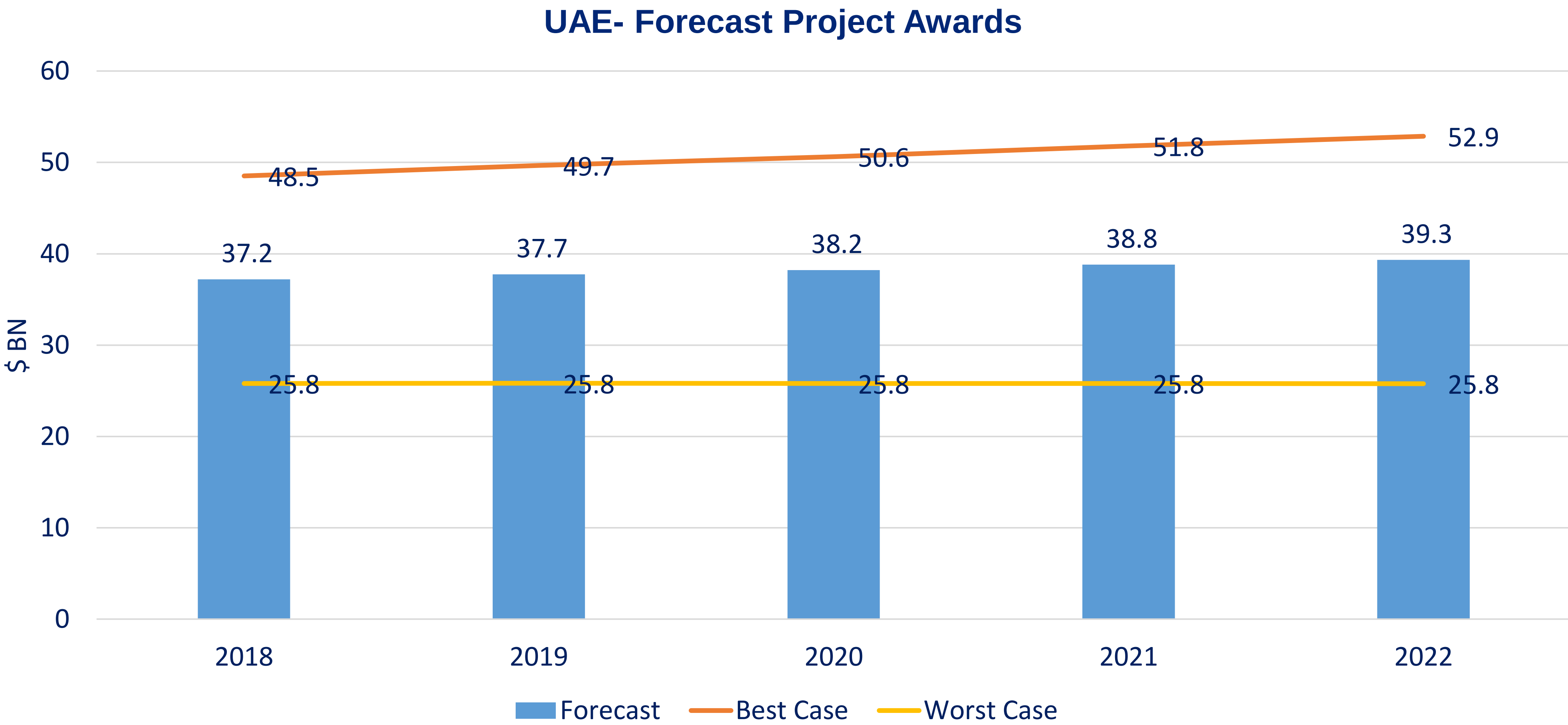
Saudi Arabia future project breakdown by sector ($m)



Source: MEED Projects

UAE 2018-22 forecast

The UAE is expected to record one of the highest growth rates among all the GCC countries between 2018 to 2022 owing to 2020 World Expo and ongoing infrastructure development in Dubai. Recently, there have been signs of life in Abu Dhabi too following a raft of multi-billion-dollar contracts in the oil and gas sector in the emirate after a delay of more than two years. Even some of the northern emirates, such as Sharjah, are showing that they want to get in the act with signinficant projects of their own in the pipeline



Source: MEED Projects

Selected top UAE projects scheduled for award in 2018

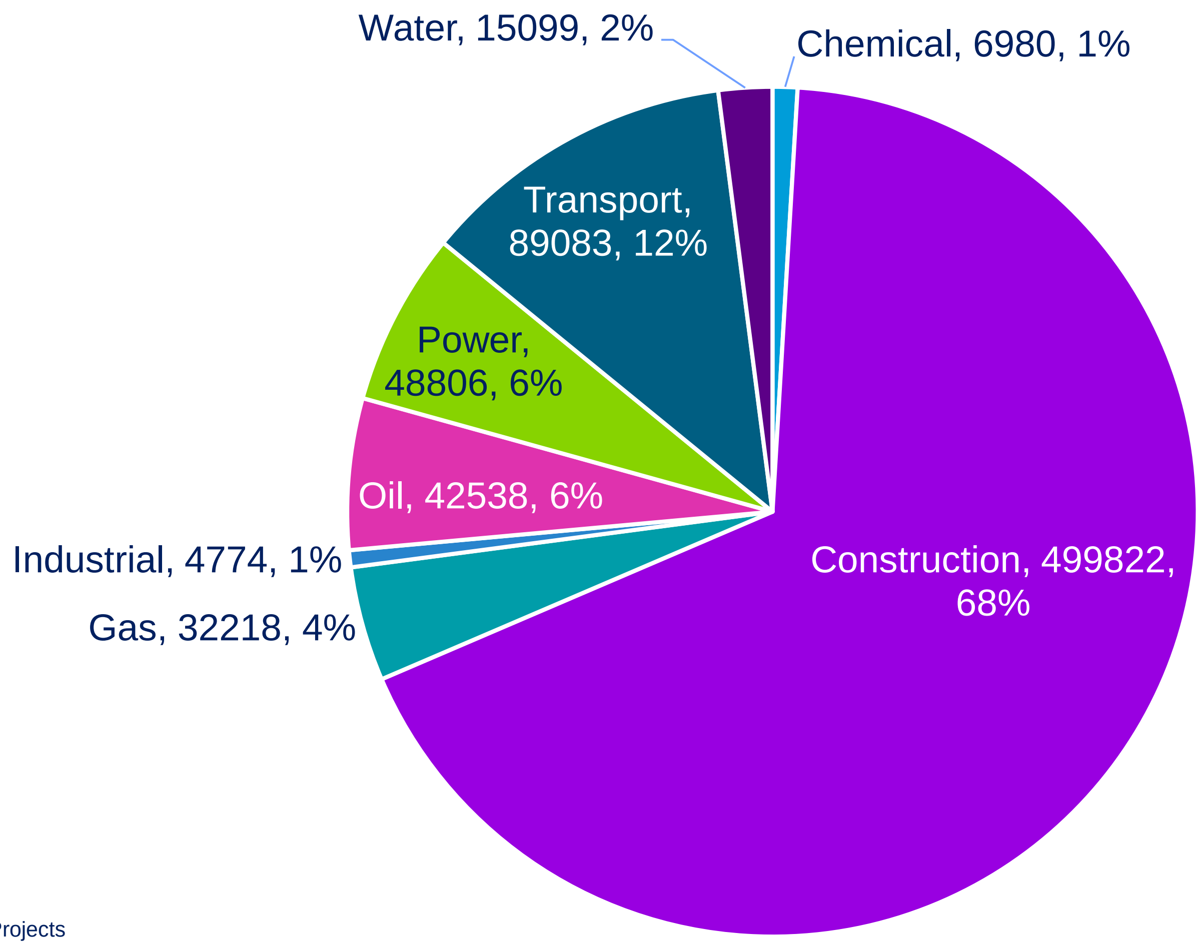
Project	Sector	Value ($m)
Adnoc Refining - New Refinery	Oil	15,000
ADNOC - Bab Sour Gas Project	Gas	10,000
Oriental Pearl Real Estate - MBR City District 11 : Royal Pearls	Construction	5,428
Emaar - Dubai Creek Harbour : Retail District	Construction	5,000
FEWA - 2480 MW Combined Cycle Power Plant in Northern Emirates	Power	2,500
FEWA - Coal Fired IPP 1800 MW in RAK	Power	2,178
Nakheel - Jebel Ali Gardens	Construction	2,000
Dubai Holding - Marsa Al Arab	Construction	1,715
Adnoc Onshore - Bu Hasa Integrated Field Development	Oil	1,500
Emaar - Dubai Creek Harbour : Dubai Creek Tower	Construction	1,500
Miral - Yas Island : SeaWorld Abu Dhabi	Construction	1,400
Adwea - Taweelah Reverse Osmosis IWP	Water	1,200
RP Global Developers - Business Bay : RP One	Construction	1,100
Adnoc LNG - IGD Expansion 2	Gas	1,000
DMCC - Uptown Dubai : Uptown T1	Construction	1,000
MAF - Dubailand : Tilal al Ghaf (Ghaf Hills)	Construction	900
Al Ahli Group - Dubailand : Fox Themed Park and Resorts	Construction	850
Dubai Sports Council - Dubai Sports City : Mohammed bin Rashid Stadium	Construction	817
Emaar Properties / Aldar Properties - Al Reem Island : Vida Hotel and Residences	Construction	817
NIC - Marina Mall Extension Phase 2 (Abu Dhabi)	Construction	817

Source: MEED Projects

UAE future project pipeline by sector

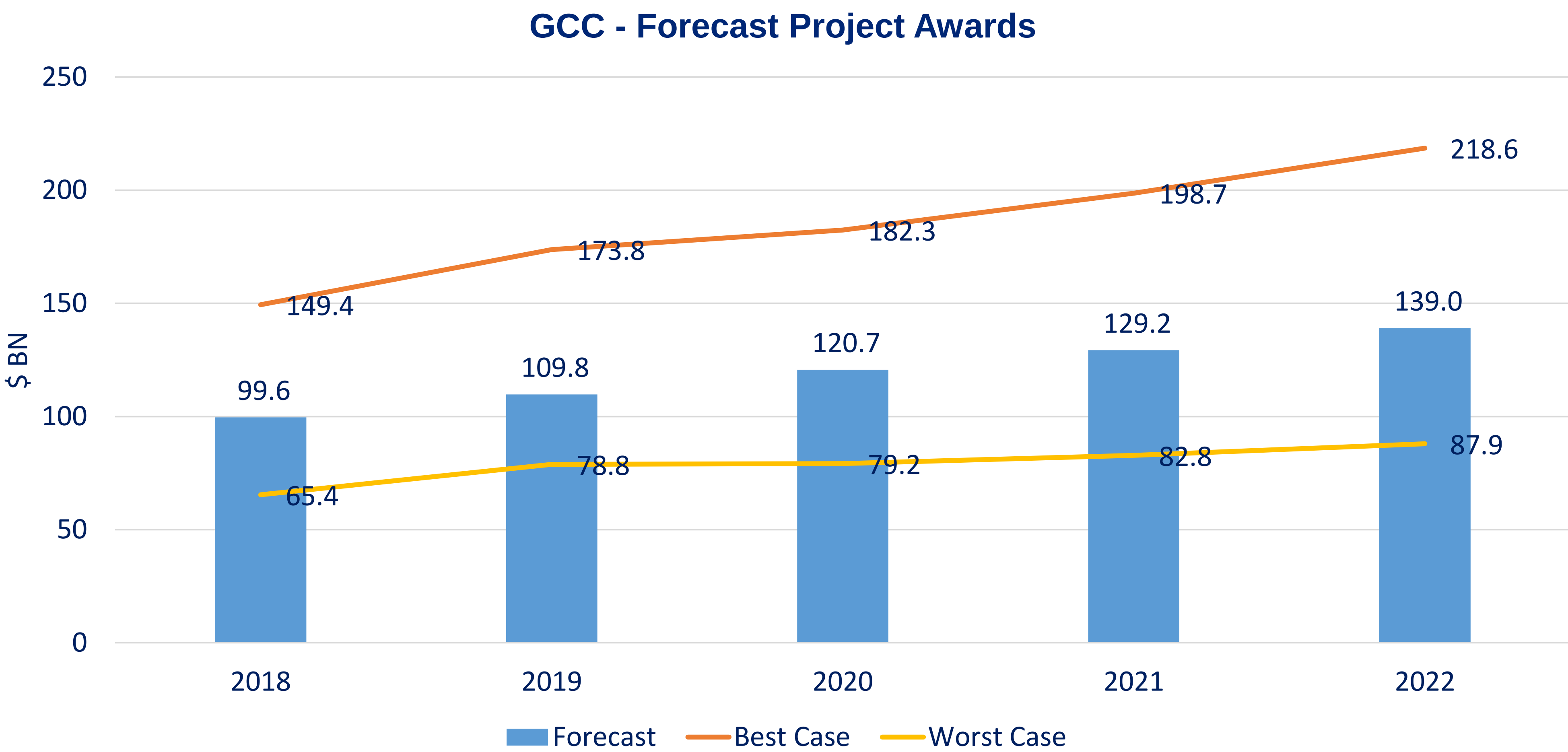
The Dubai real estate sector is a juggernaut that seems hard to stop, almost single-handedly driving the regional projects market forward. Maintaining this spending will therefore be critical to the overall fortunes of the market, a fact reflected that more than two-thirds of the future pipeline lies in construction. Clearly, creating the necessary transport infrastructure is essential for the success of future real estate plans , and the $90bn worth of planned transport projects in the UAE is testament to this

UAE future project breakdown by sector ($m)



Source: MEED Projects

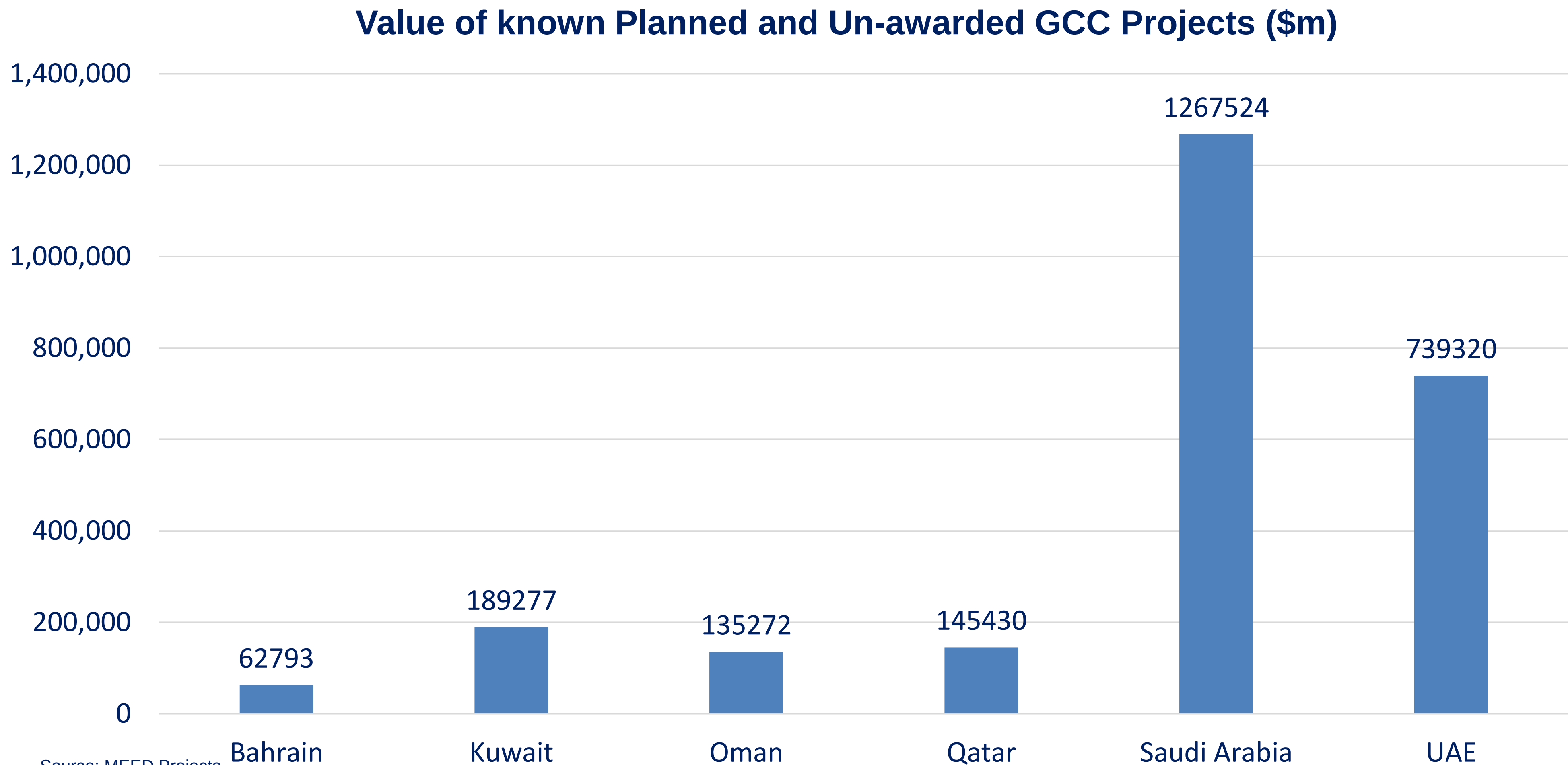
The GCC forecast for project awards is expected to increase between 2018 to 2022 as macro project drivers and oil price improve. Among all the GCC countries, Qatar and the UAE are expected to witness the highest growth from 2018 to 2022 owing to huge investment in infrastructure in both the countries whereas Saudi Arabia is expected to be the largest market for project awards during the same period. On the other hand, should the oil price decline and economic growth remain weak, then contract awards will edge downward



Source: MEED Projects

Future project pipeline by country

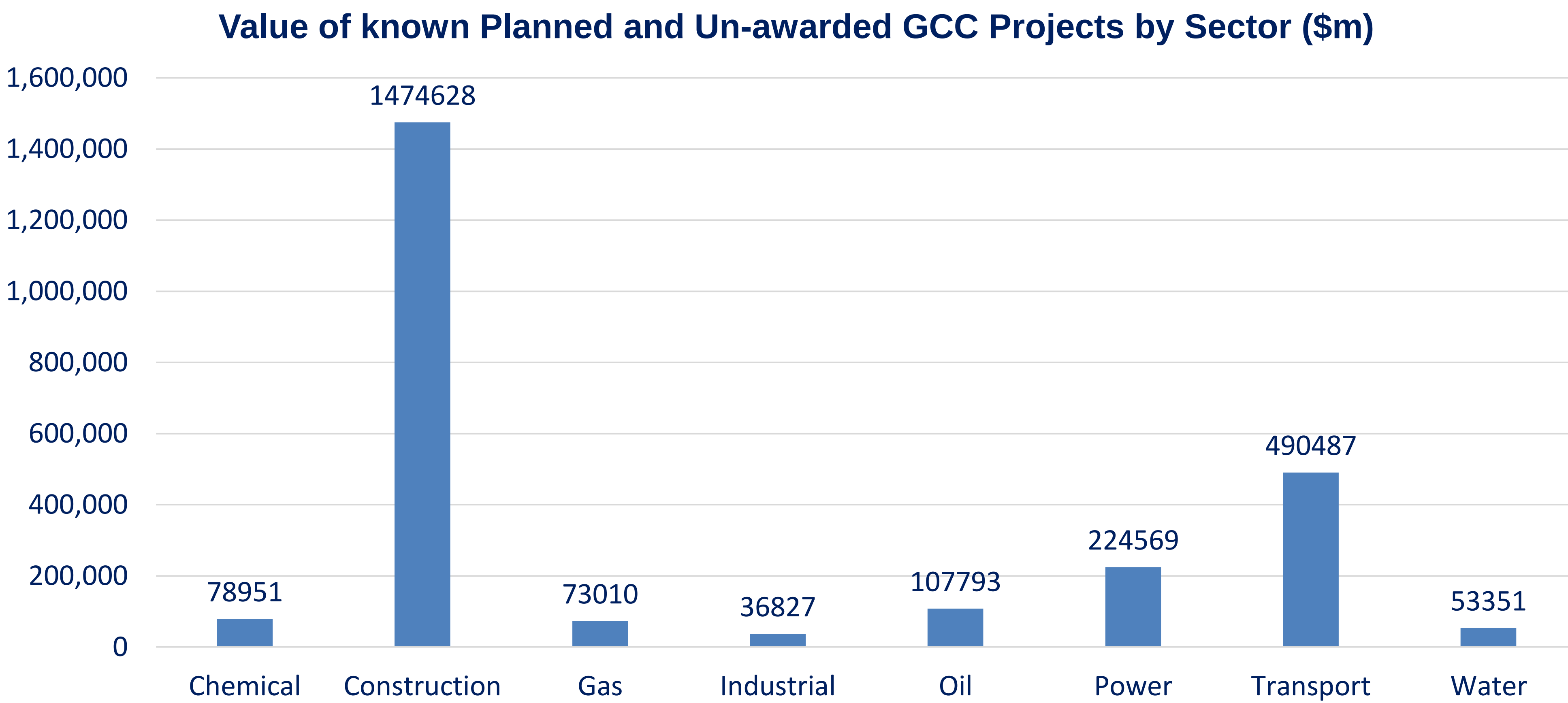
Although the projects market has been through tough times in recent years, it still holds great promise. There are more than $2.4 trillion worth of planned and un-awarded projects in the GCC pipeline regardless of award date. Unlike the speculative raft of private sector real estate projects cancelled in 2009, the future pipeline is dominated by more robust schemes considered necessary for the successful economic and social development of the region. Although, naturally not all projects in the pipeline will go ahead, there can be a greater confidence in the likelihood of projects proceeding than in previous slowdowns



Source: MEED Projects

Future project pipeline by sector

Construction remains by far the largest future projects sector, with close to $1.5 trillion worth of planned and un-awarded schemes in the pipeline, although it should be noted that a third of this is comprised of the Neom project. Transport is ranked second by virtue of the massive airports, roads and railways pipeline, while power, in third place, is a combination of traditional thermal projects as well as more innovative renewable and atomic energy schemes. The hydrocarbons sectors may seem small in comparison to others, but it is worth pointing out that long-term visibility on these sectors is limited and thus their numbers may be an underestimate

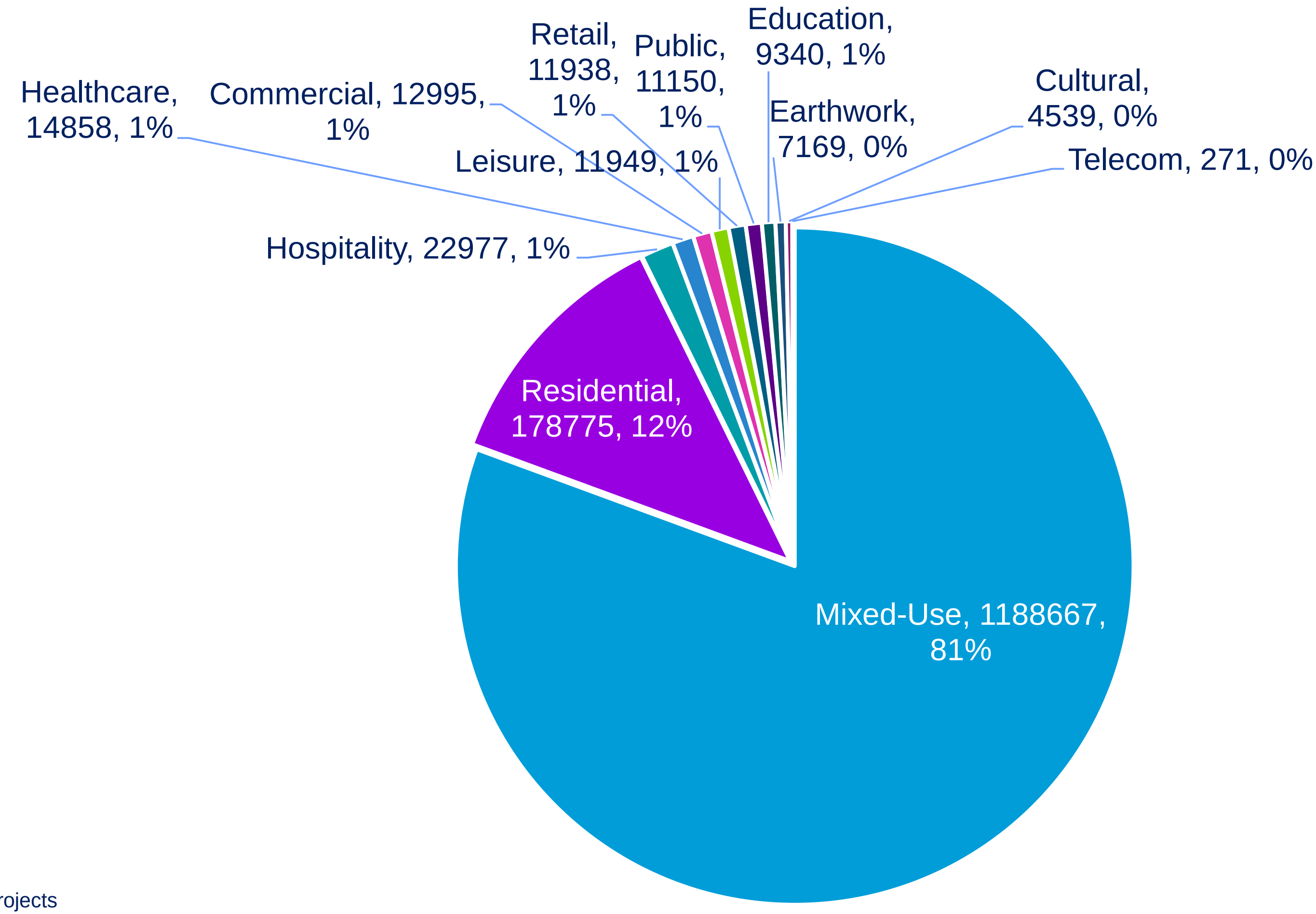


Source: MEED Projects

Future construction projects pipeline by subsector

The majority of future construction sector spending in the GCC is composed of mixed-use projects. This is principally due to the fact that many schemes fall under this subsector until greater information known about the package breakdown. Other subsectors therefore seem a lot smaller in comparison, but in reality will feature more prominently as the project grows closer to fruition. Indeed, an analysis of the largest proportion of mixed-use schemes shows that most will likely end up being residential schemes more than any other subsector

Future GCC construction projects subsector breakdown ($m)

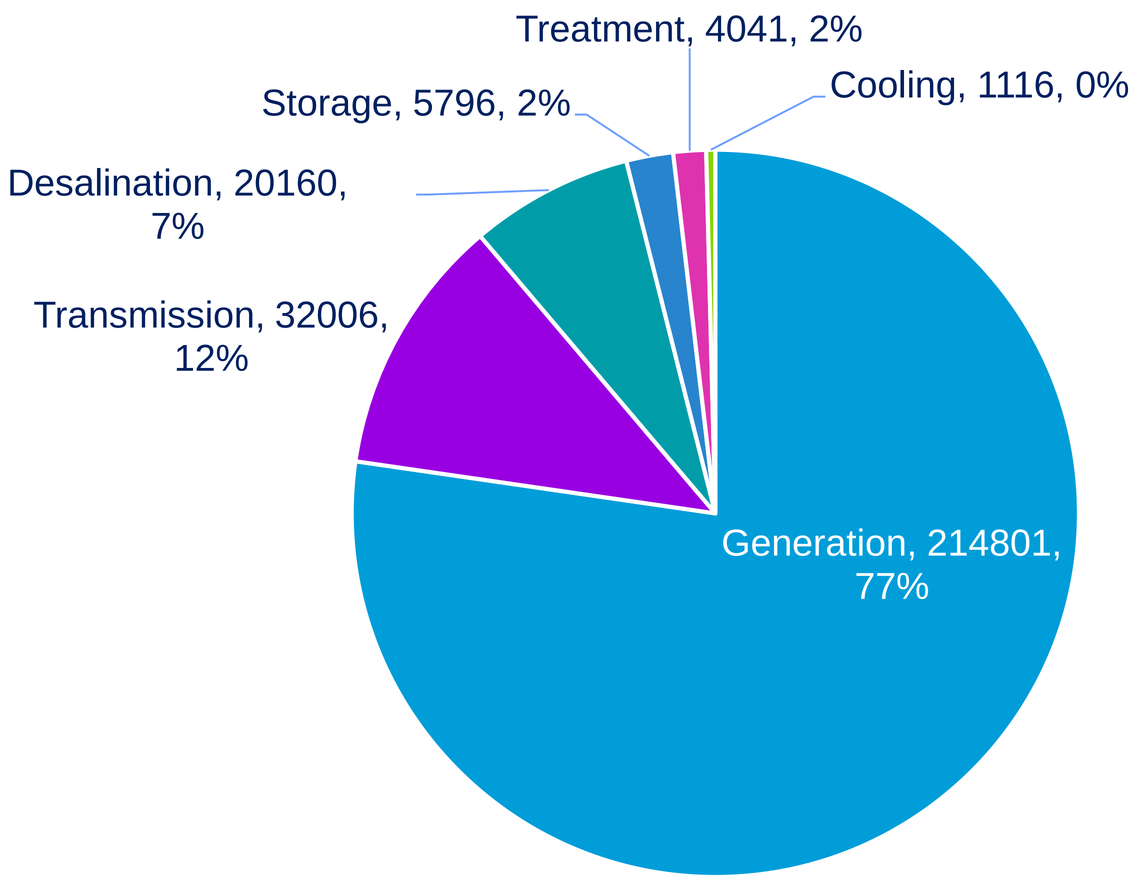


Source: MEED Projects

Future utilities projects pipeline by subsector

It will come as little surprise that future utilities spending is dominated by power and water generation and then their transmission to the end user. The region has a massive ongoing future demand for power and water – Saudi Arabia alone requires at least 4GW of new generating capacity a year to keep up with fast-rising demand for instance – propelled by high economic and population growth. What is less evident is the mix of new production technologies used going forward, particularly in the renewable energy space

Future GCC utilities projects sector breakdown ($m)

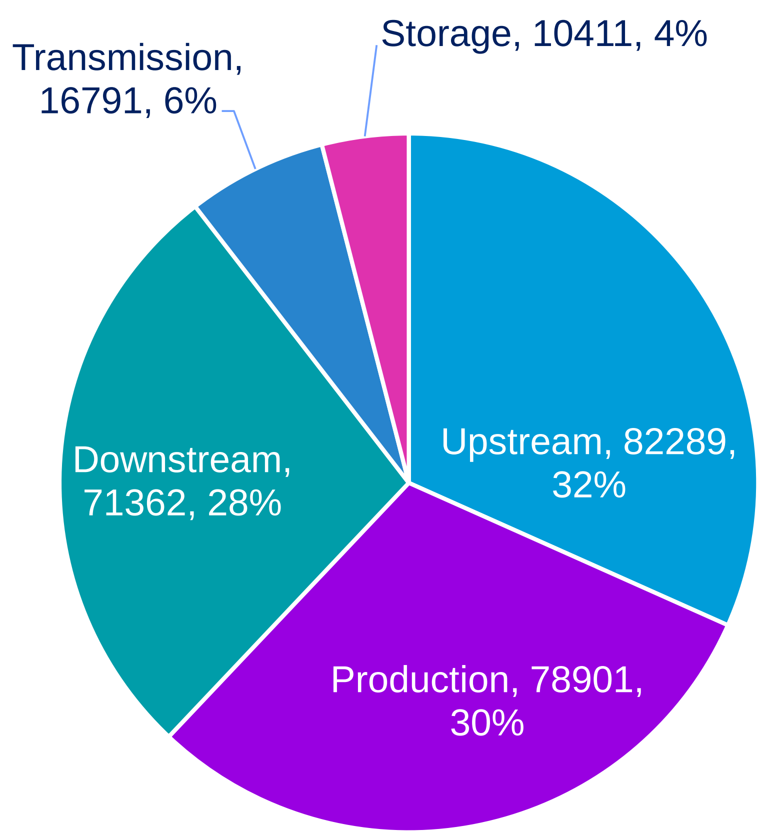


Source: MEED Projects

Future hydrocarbons project pipeline by subsector

The oil, gas and petrochemical sectors are more evenly spread in terms of their composition, reflecting the need for investment across all aspects of the production and processing process in the region. Future projects will be increasingly focused on more technically challenging gas and oil deposits, particularly offshore, while on the downstream side, the focus will be on the integration of refineries and petrochemical facilities as well as the upgrades of existing refinery infrastructure to enable it to process cleaner fuels

Future GCC hydrocarbon projects sector breakdown ($m)

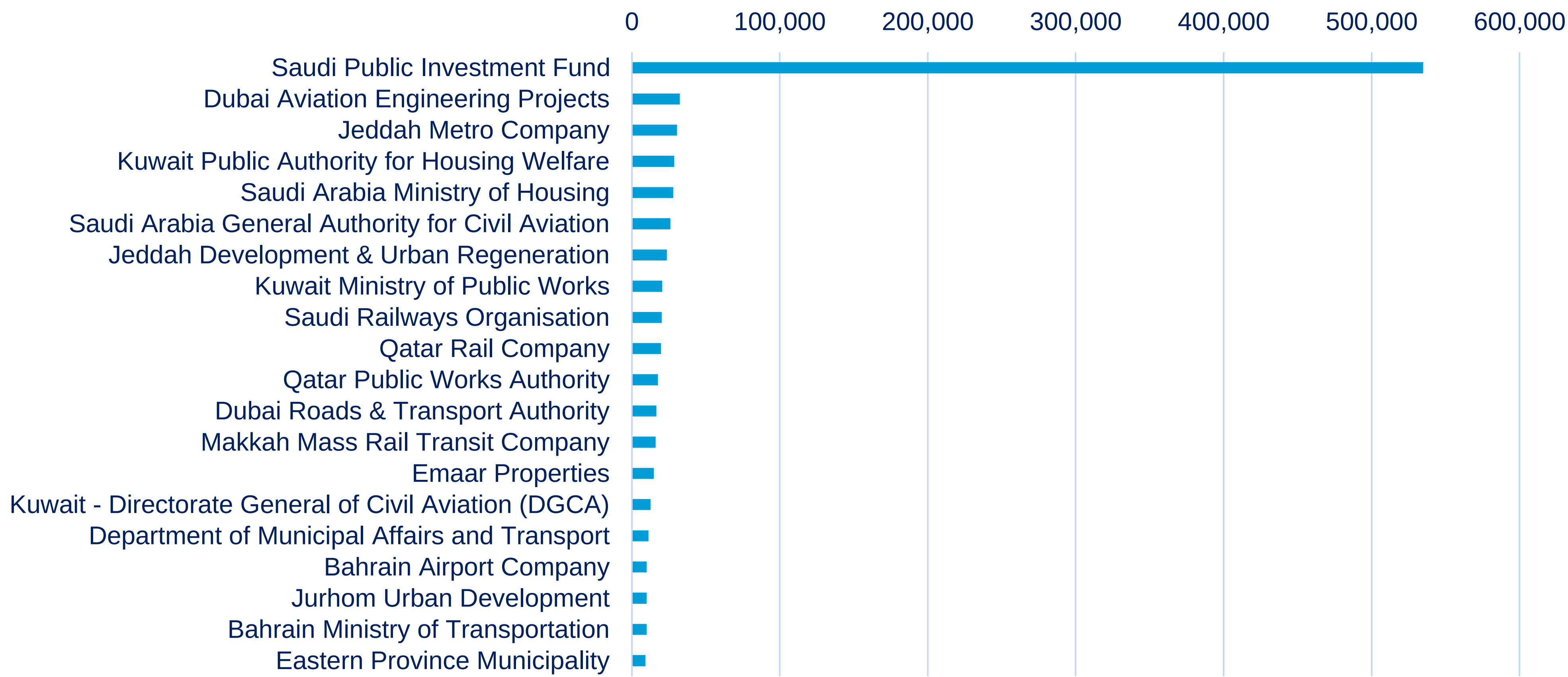


Source: MEED Projects

Top future civil construction clients

The list of top future civil construction clients by project pipeline is dominated by Saudi Arabia's PIF and its $500bn Neom project to be built over the next 20 years. With the world's largest airport, Al Maktoum International, under its remit, Dubai Aviation Engineering Projects, is the second leading future client. It is followed closely by the Kuwait Public Authority for Housing Welfare and Jeddah Metro Company which figure highly due to their housing and metro projects. Other major clients on the list include state firms responsible for the development of metro, rail and airport projects in the region, as well as those of course charged with developing new real estate schemes

Top future civil construction clients by project pipeline ($m)

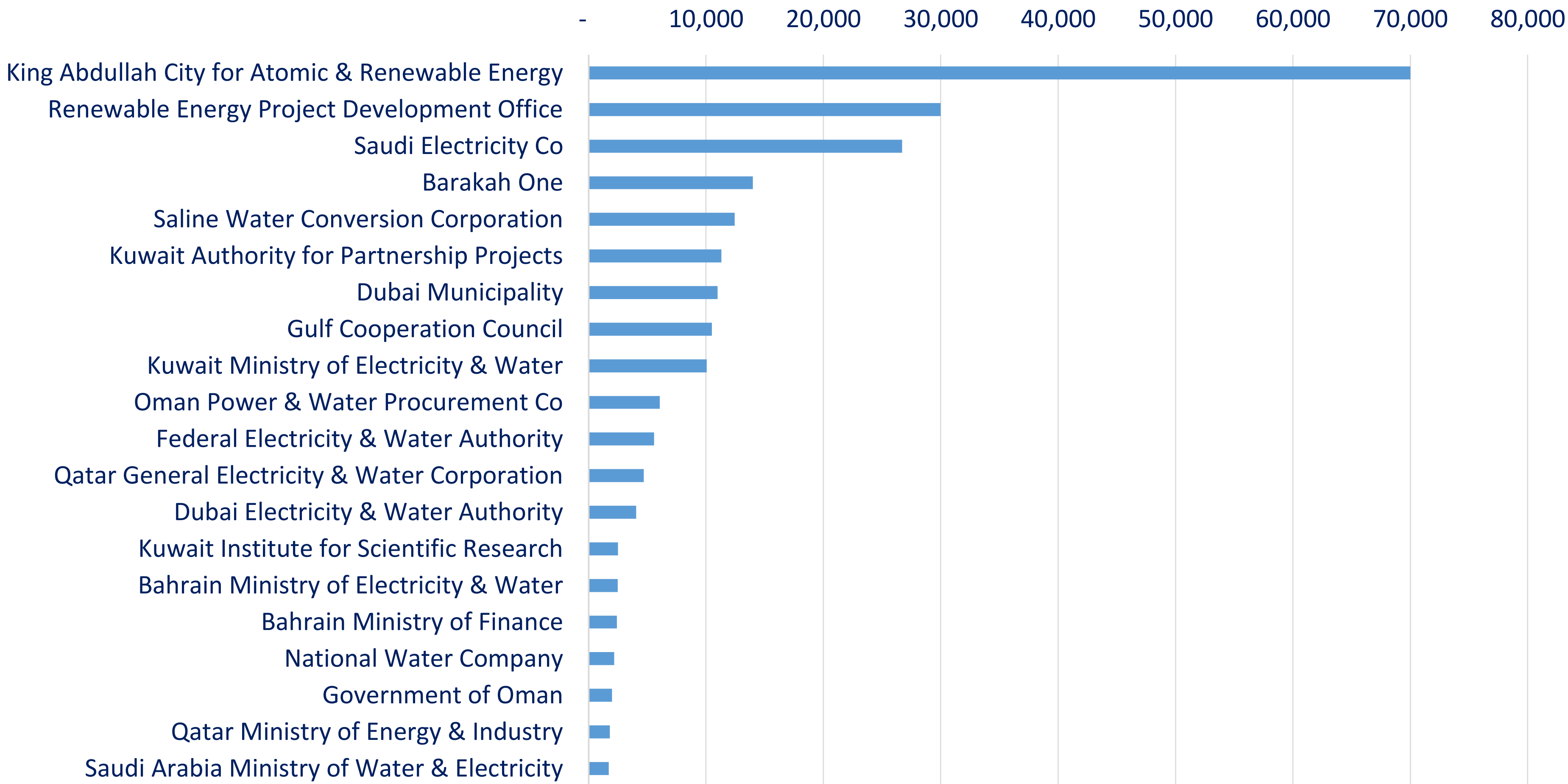


Source: MEED Projects

Top future utilities clients

Saudi Arabia dominates the future list of utilities clients thanks to what is one of the world's largest renewable and nuclear energy programmes under the aegis of the Renewable Energy Project Development Office (REPDO) and KA-Care respectively. In other areas it is business as normal, with the usual players predominating, although with a greater focus on renewable and alternative energies than ever before

Top future utilities clients by project pipeline ($m)

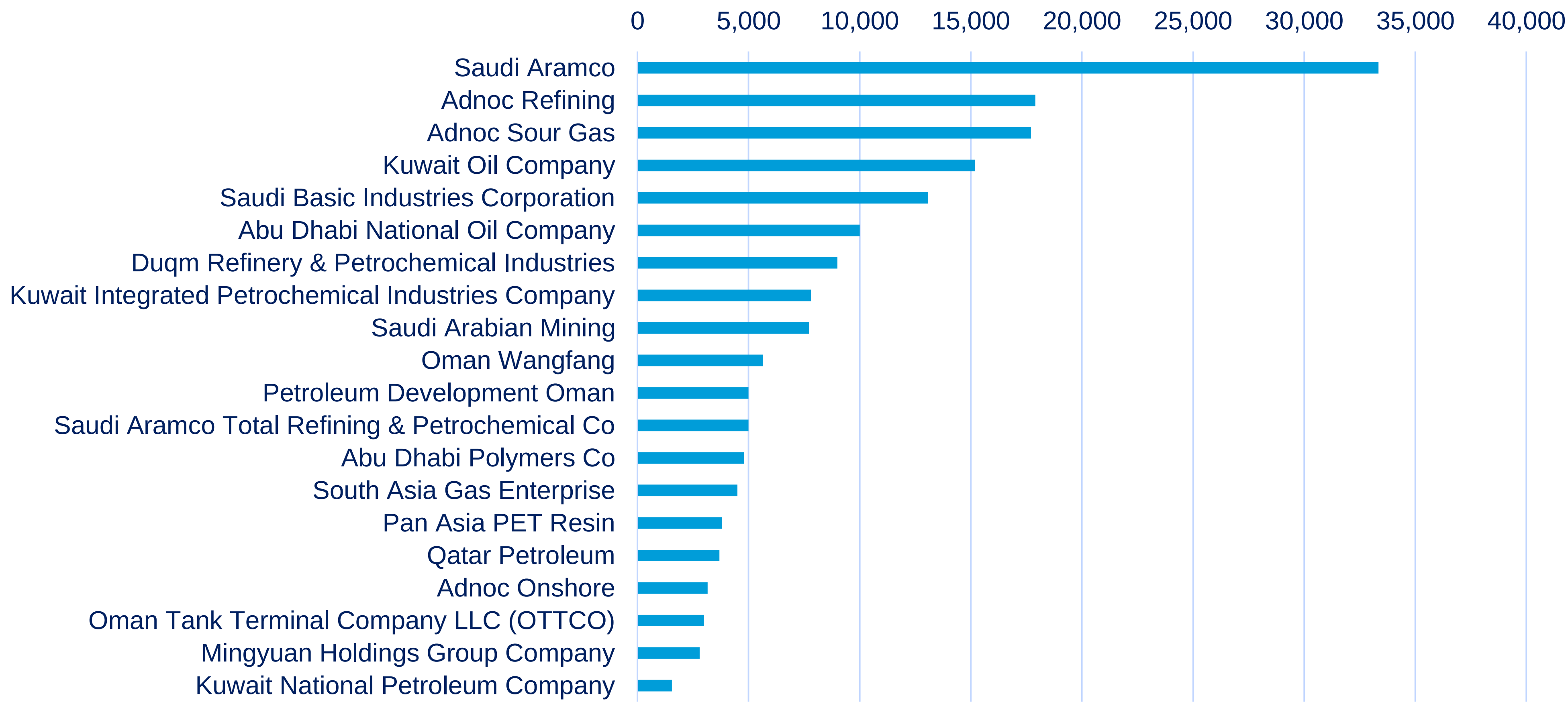


Source: MEED Projects

Top future hydrocarbons clients

Saudi Aramco, which is the largest oil exporter in the world, dominates the future projects pipeline in the hydrocarbons sector with a known future projects value of more than $33 billion. Adnoc Refining is ranked second by virtue of its new forthcoming refinery project, closely followed by Adnoc Sour Gas which is implementing a massive sour gas programme as several fields across Abu Dhabi

Top future GCC hydrocarbons clients by project pipeline ($m)



Source: MEED Projects

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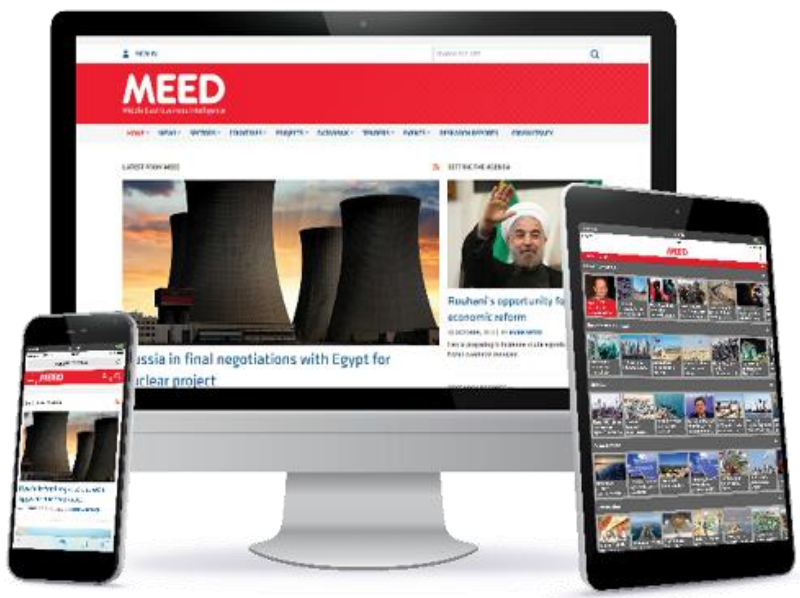

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