

Outlook for the GCC projects market



Challenges, opportunities and key projects

25 May 2016, Dubai

Presented by Ed James

Director of Content and Analysis, MEED Projects

edward.james@meed.com

 **[@EdJamesMEED](https://twitter.com/EdJamesMEED)**

All the project information in this presentation is sourced from MEED Projects



MEED Projects is a Middle East, North and East Africa project tracking platform. It has two major functions; it is a business development tool to help you find new business opportunities and an analysis tool so you can assess the feasibility of potential new markets and projects.

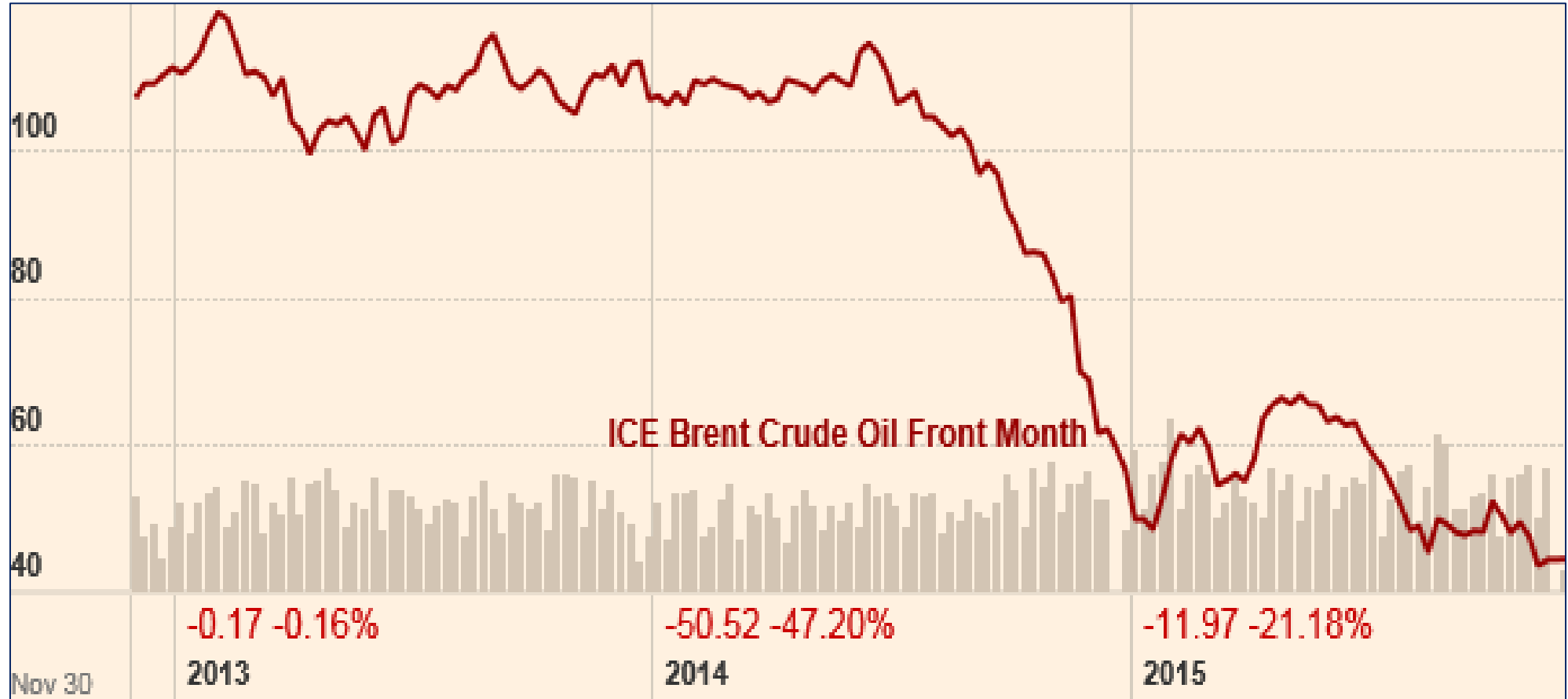
5 key reasons to sign up for a demo:

- Identify **new business opportunities** from over 10,050 active projects worth over \$4.1 trillion
- Improve performance in current markets and **evaluate new markets** with 20 countries covered
- Build the right **company relationships** using our database of over 11,200 companies on live projects
- Target over 18,000 **key decision makers** ahead of your competitors
- **Forecast market developments** by country and project type to inform your strategic planning

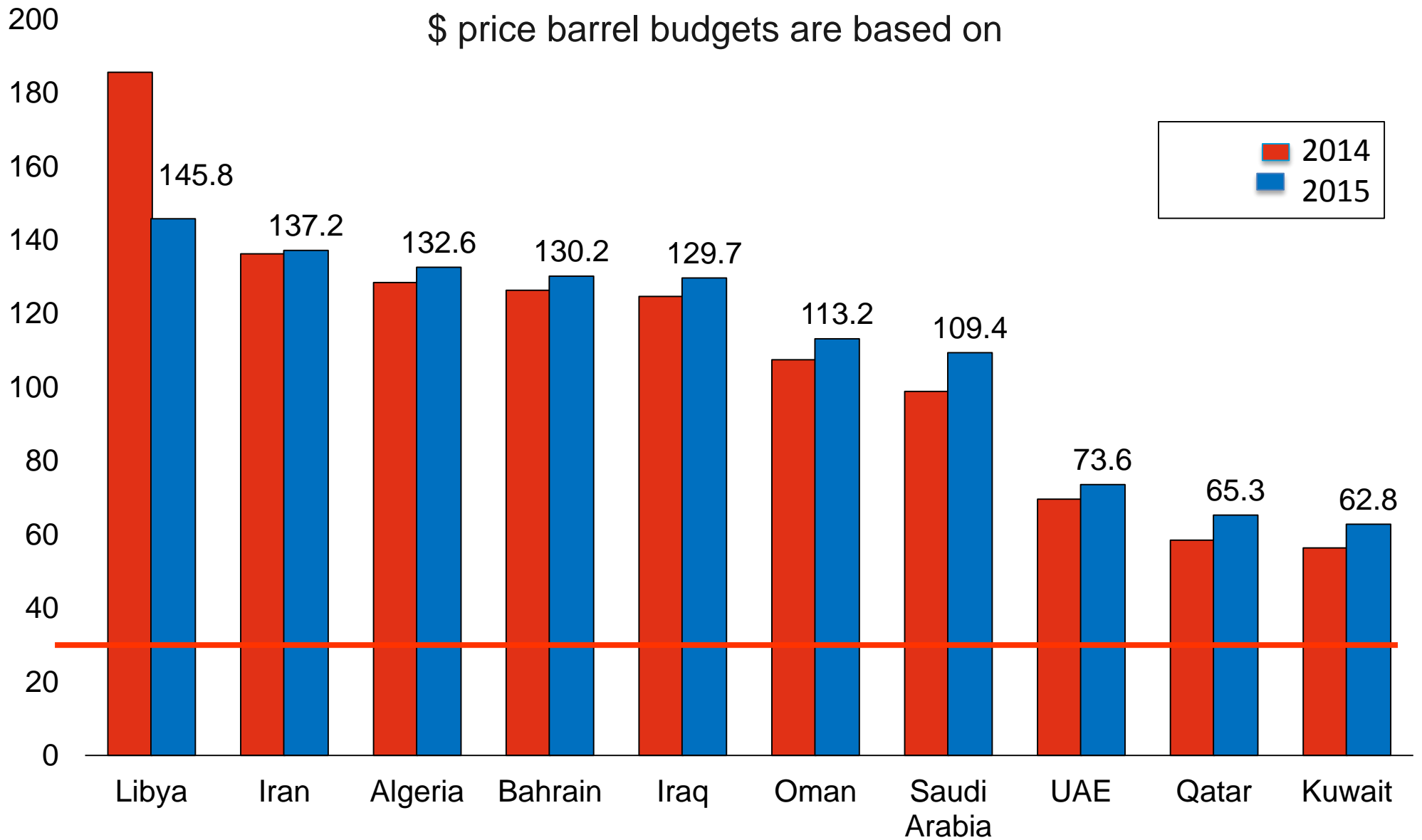
1

GCC Macroeconomic Review

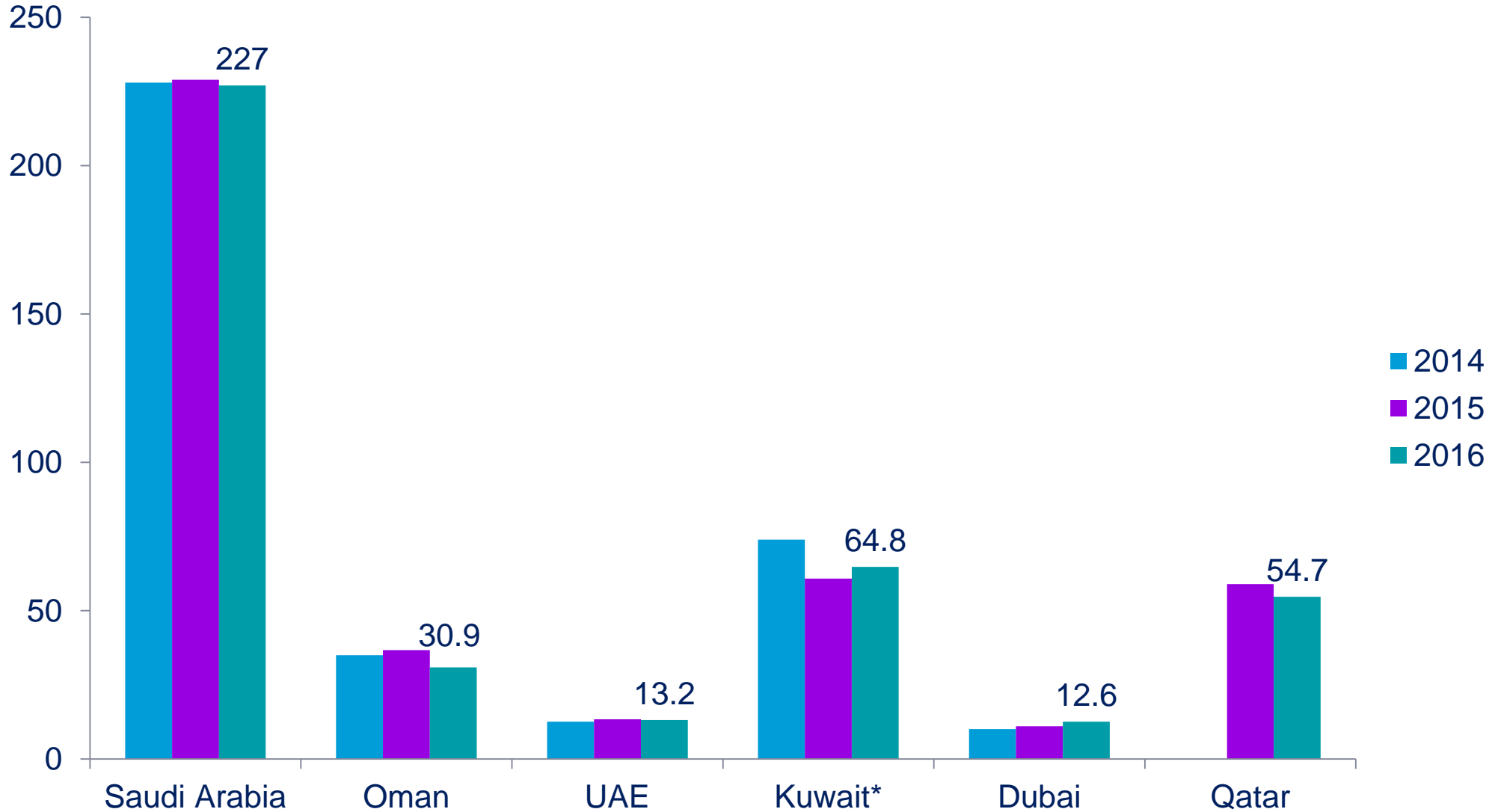
Average oil price 2013-2015 (\$ a barrel)



WTI started the year trading at \$39 a barrel. Currently, it is pricing at \$31.



Budgeted expenditures comparison 2014-16 (\$bn)



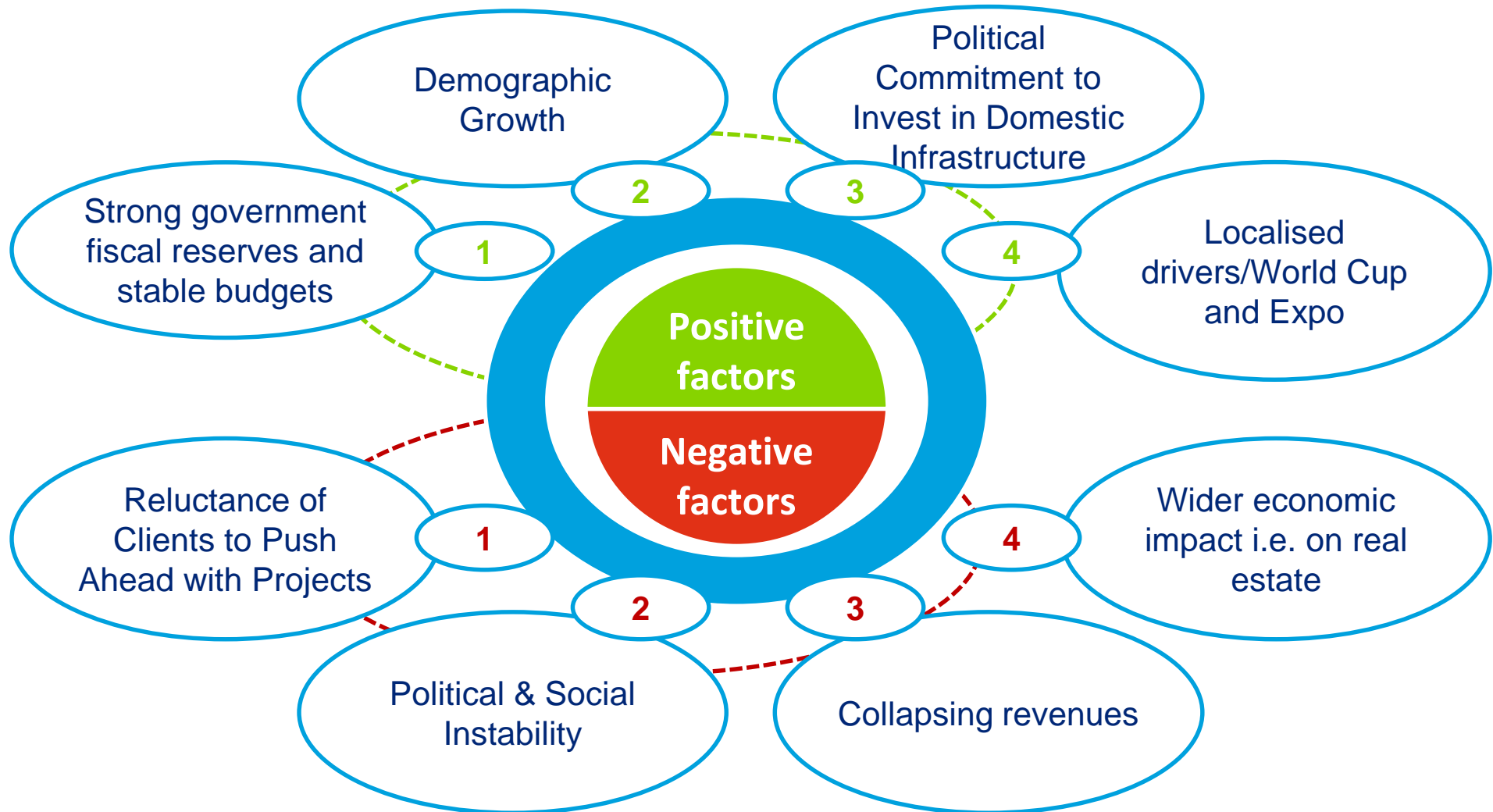
Firstly, the correlation between oil prices and project spending is not as close as everyone believes

And GCC states could:

- Privatisise or part privatisise state assets i.e. Aramco
- Sell landbank
- Introduce sales tax
- Lift subsidies and tariffs
- Drop oil output!

Don't believe all the doomsayers!!

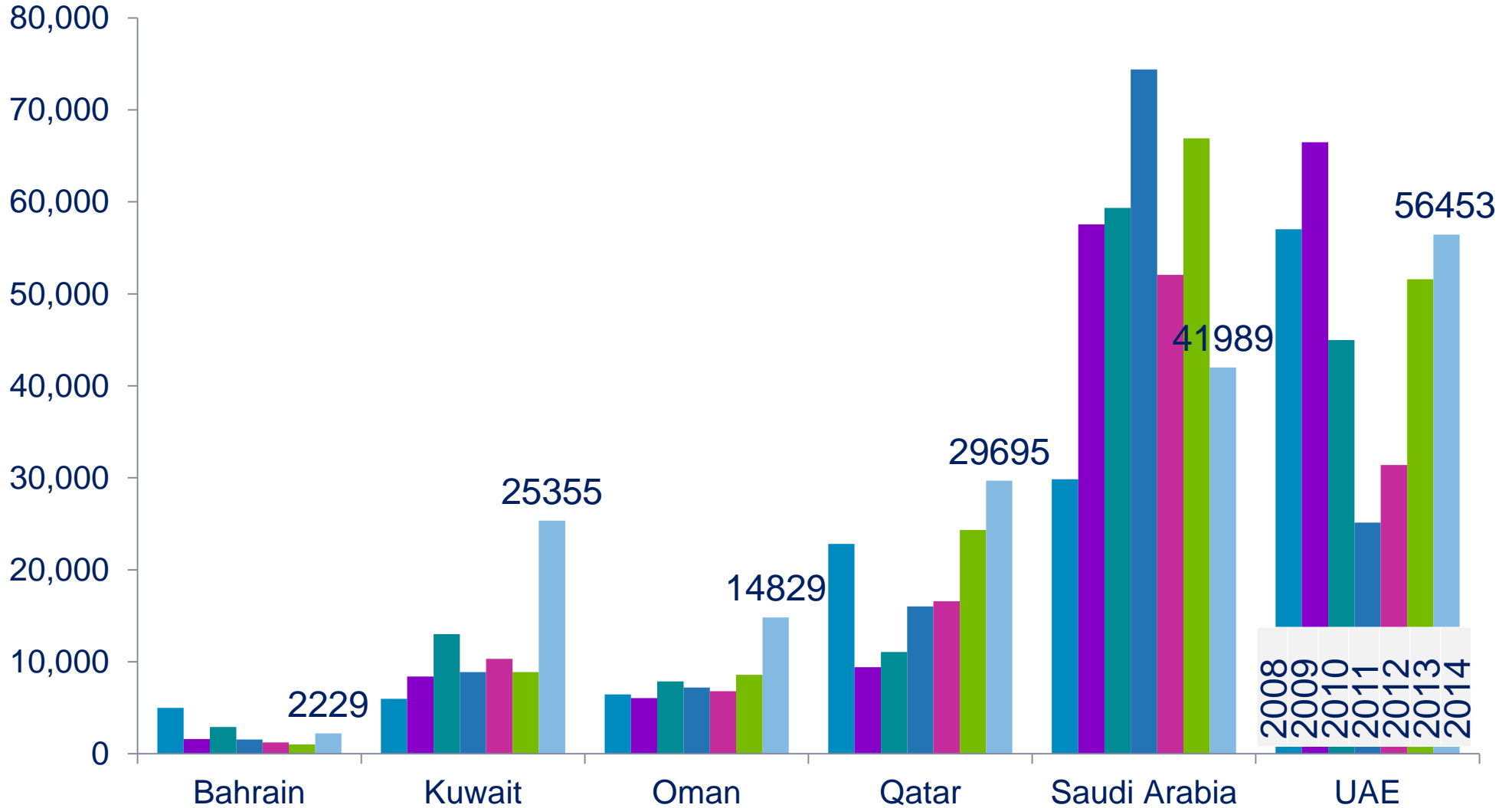
Regional Project Market Growth Drivers & Barriers to Growth



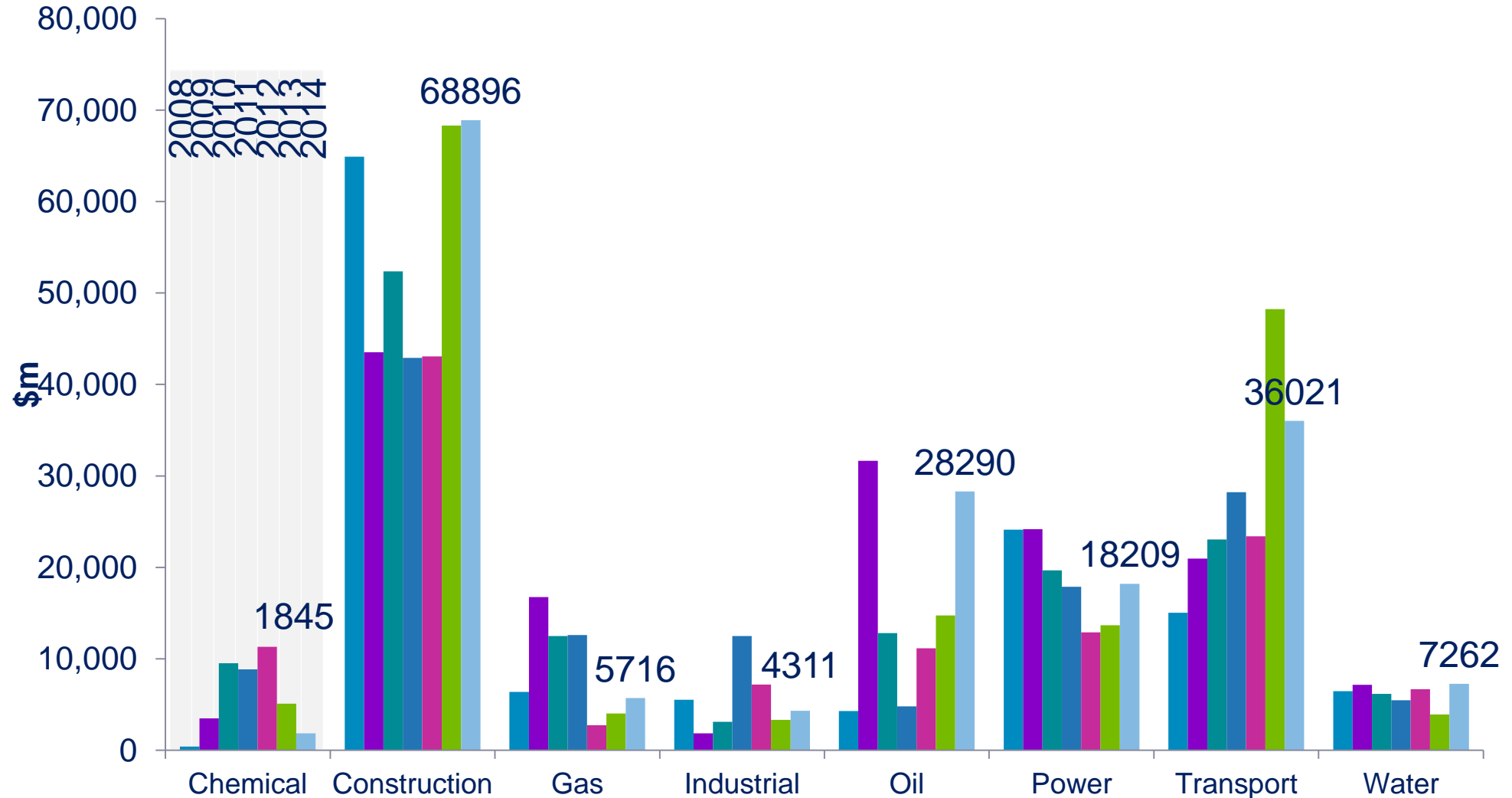
2

GCC Projects market

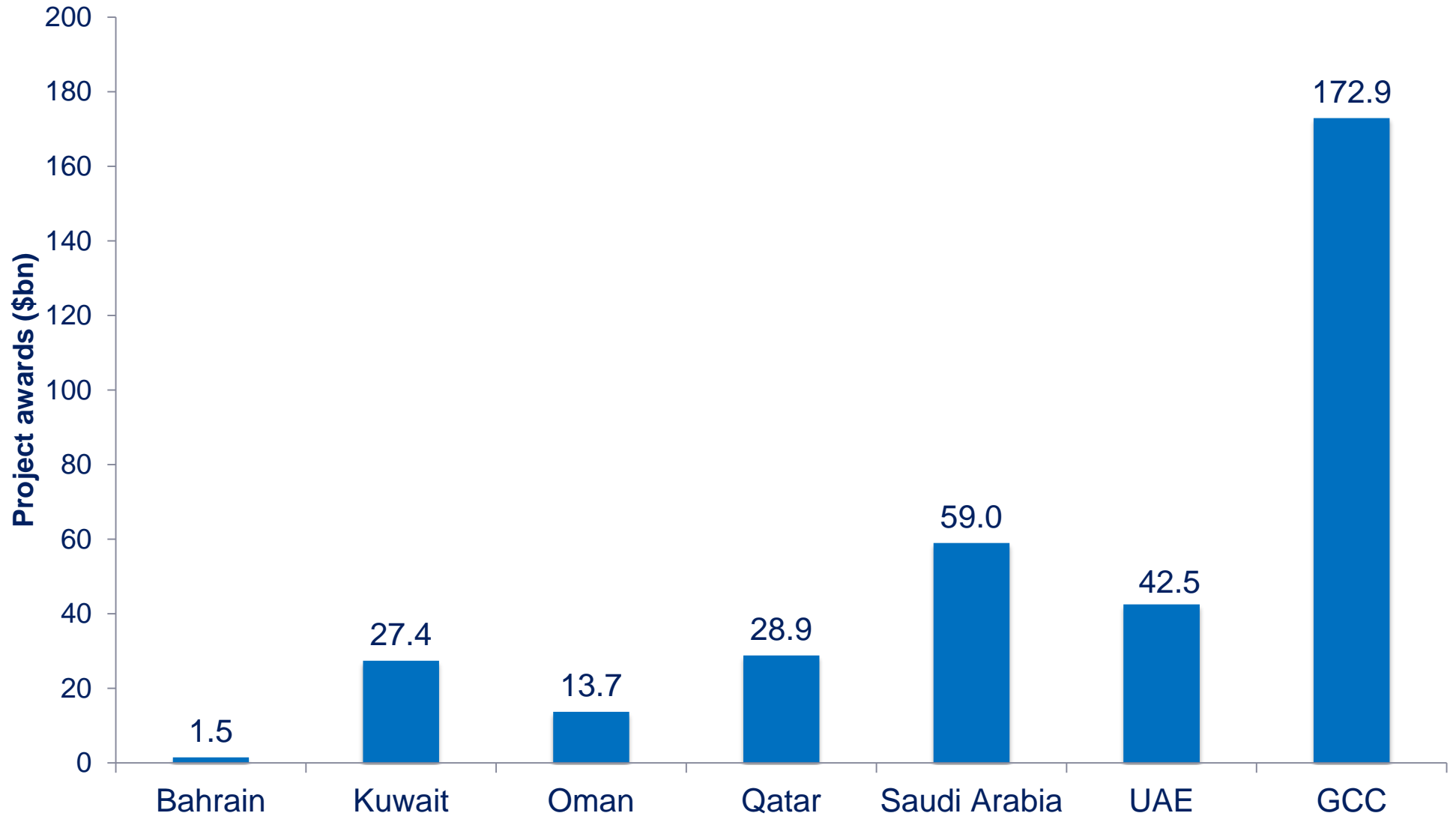
Value of GCC contract awards by country, 2008-14



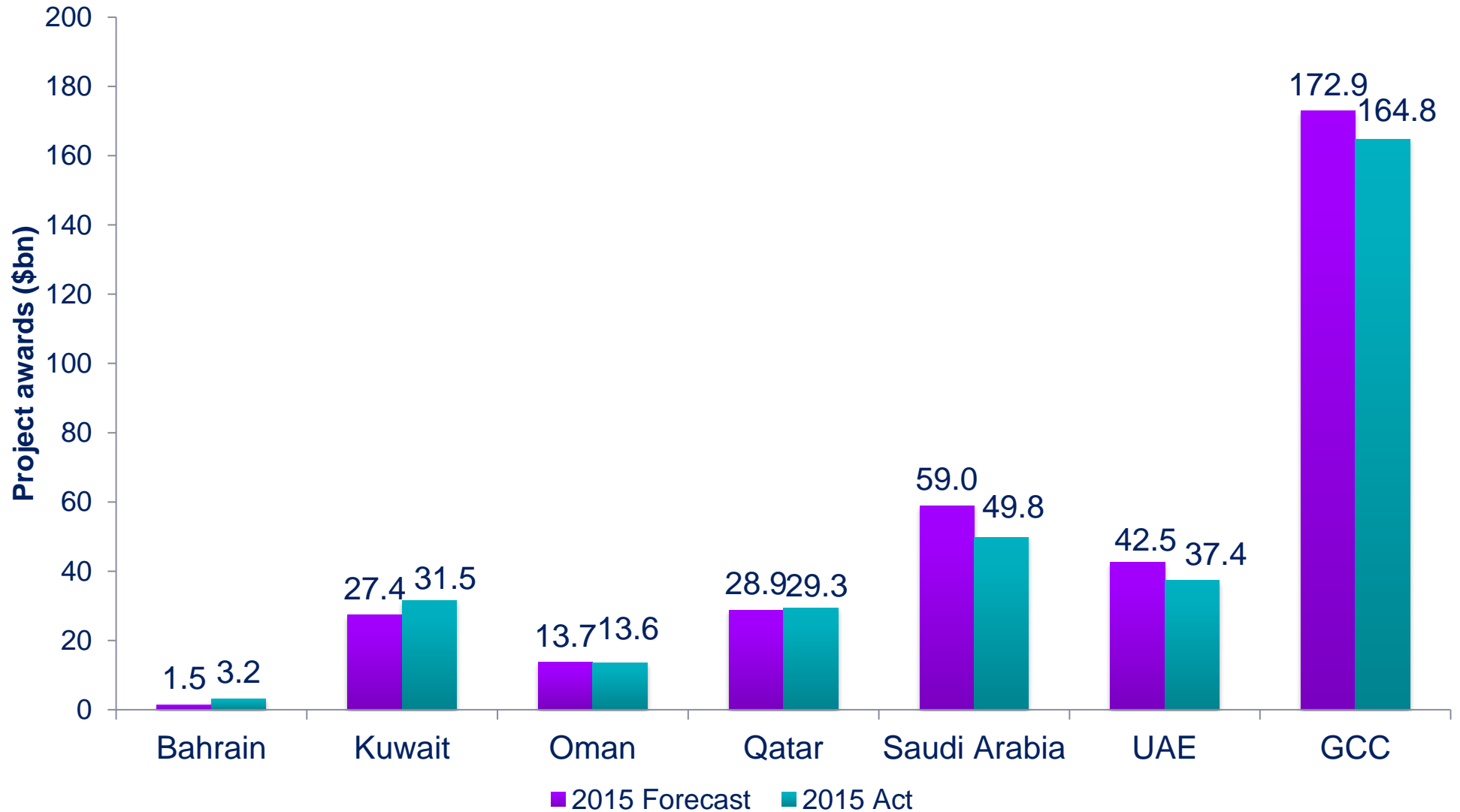
Value of GCC Contracts Awarded by Sector, 2008 – 2014 (\$m)



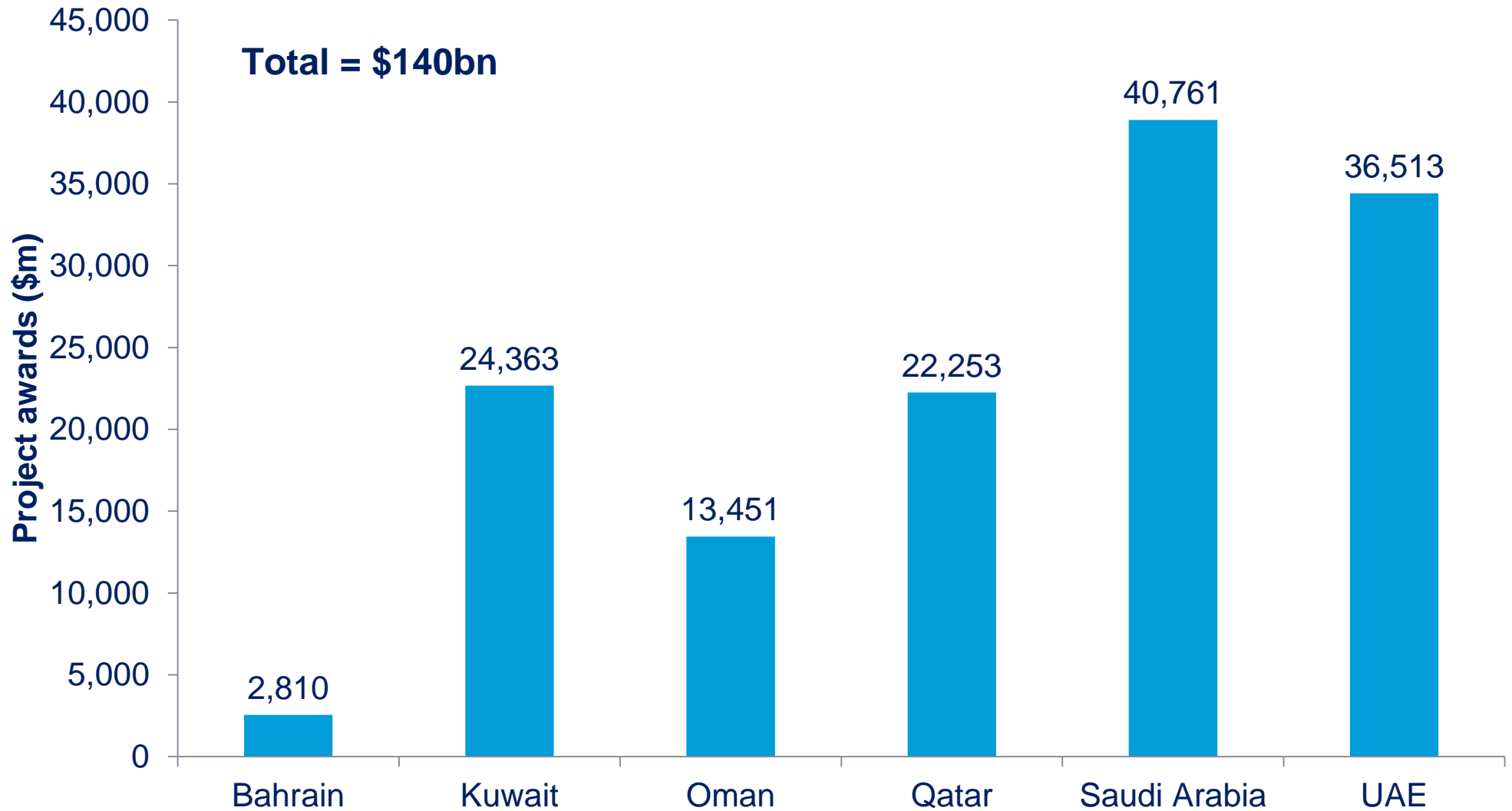
MEED Forecast for GCC Contract Awards, 2015 (\$bn)



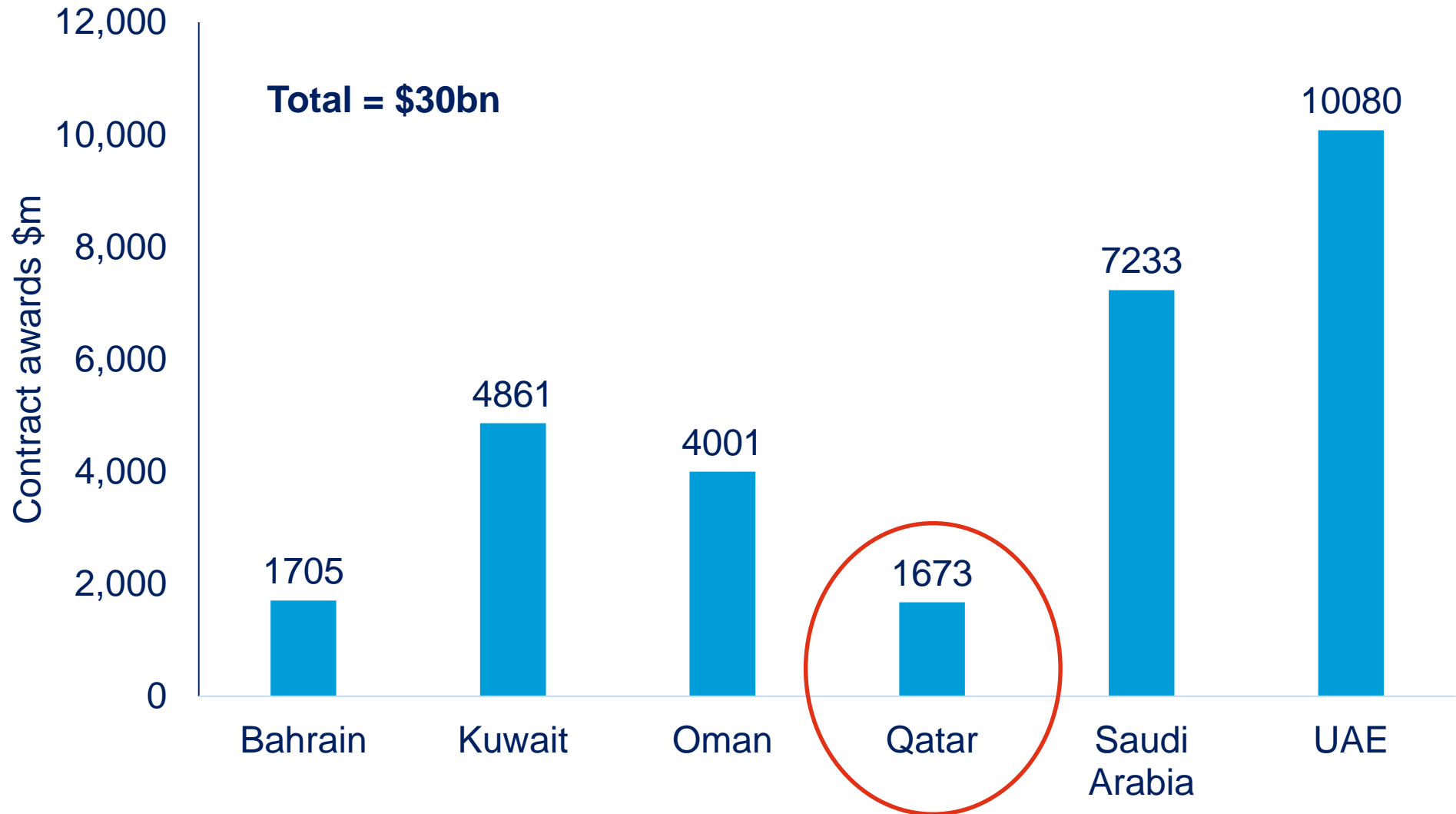
MEED Forecast for GCC Contract Awards vs. actual, 2015 (\$bn)



MEED Forecast for GCC Contract Awards, 2016 (\$m)



Value of GCC contracts awarded Q1 2016



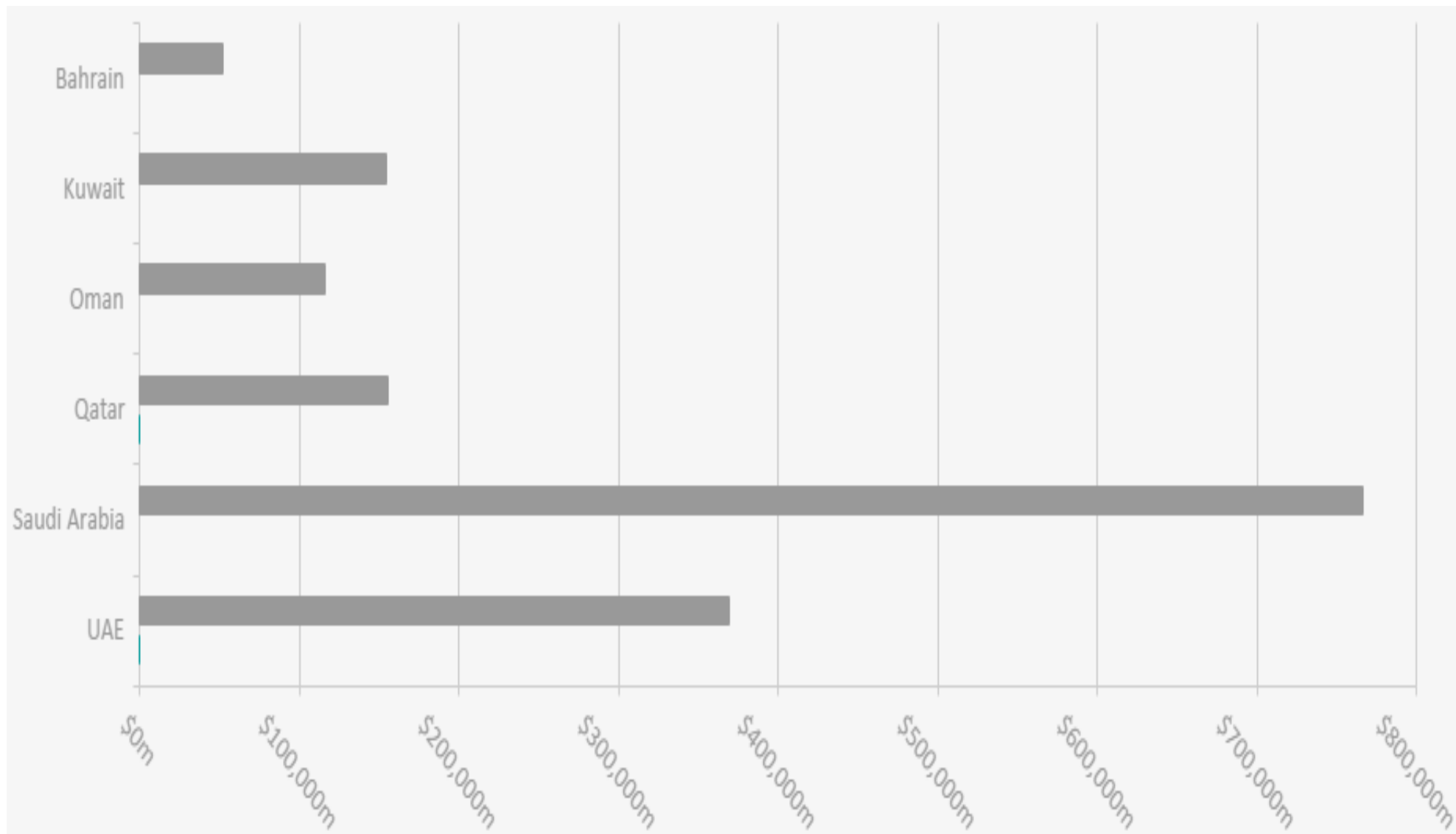
| Project | Value (\$m) |
|---|-------------|
| ICD - Palm Jumeirah: Royal Atlantis Resort & Residences, Phase 2 | 840 |
| Emaar Properties / Dubai Holding : Dubai Creek Residences : Phase 1 | 650 |
| Indigo Properties - Indigo Zen | 409 |
| Nakheel - Palm Jumeirah : Palm Gateway (Tender No. DMS 141324) | 386 |
| ICD-Brookfield Management - DIFC : ICD Brookfield Place | 370 |
| Al Wasl - Mandarin Oriental Jumeirah Beach Club Resort | 190 |
| Dubai Islamic Bank - Badr Project (Madain Al Emarat) : Phase 1 | 188 |
| Dubai RTA - Intersection in Karama Area (Contract No. R1013/1) | 166 |
| MOPW - Upgrading Of Mleiha Road From Sheikh Khalifa Road : Phase 1 | 140 |
| Omniyat / Drake & Scull - One at Palm Jumeirah | 136 |
| DEWA - Supply and Installation of Water Pipelines (2131500016): Section B & C | 128 |
| GRDI - Downtown Dubai : HSBC Bank Headquarters | 127 |
| Dubai RTA - Business Bay : Parallel Roads Corridor (Contract No. R881/282) | 121 |
| Meydan Sobha - MBR City : District One: Phase 3 | 80 |
| Damac - Business Bay : Majestine Allure | 80 |
| Union Properties - Motorcity : Oia Residences | 64 |
| Al Tayer Group - Meydan City : Al Manzel 1 & 2 | 56 |
| Dubai RTA - Development of Al Awir Road and International City Accesses | 52 |
| DEWA - Supply and Installation of Water Pipelines (2131500016): Section A | 51 |

Contracts awarded in Qatar 2016 year to date

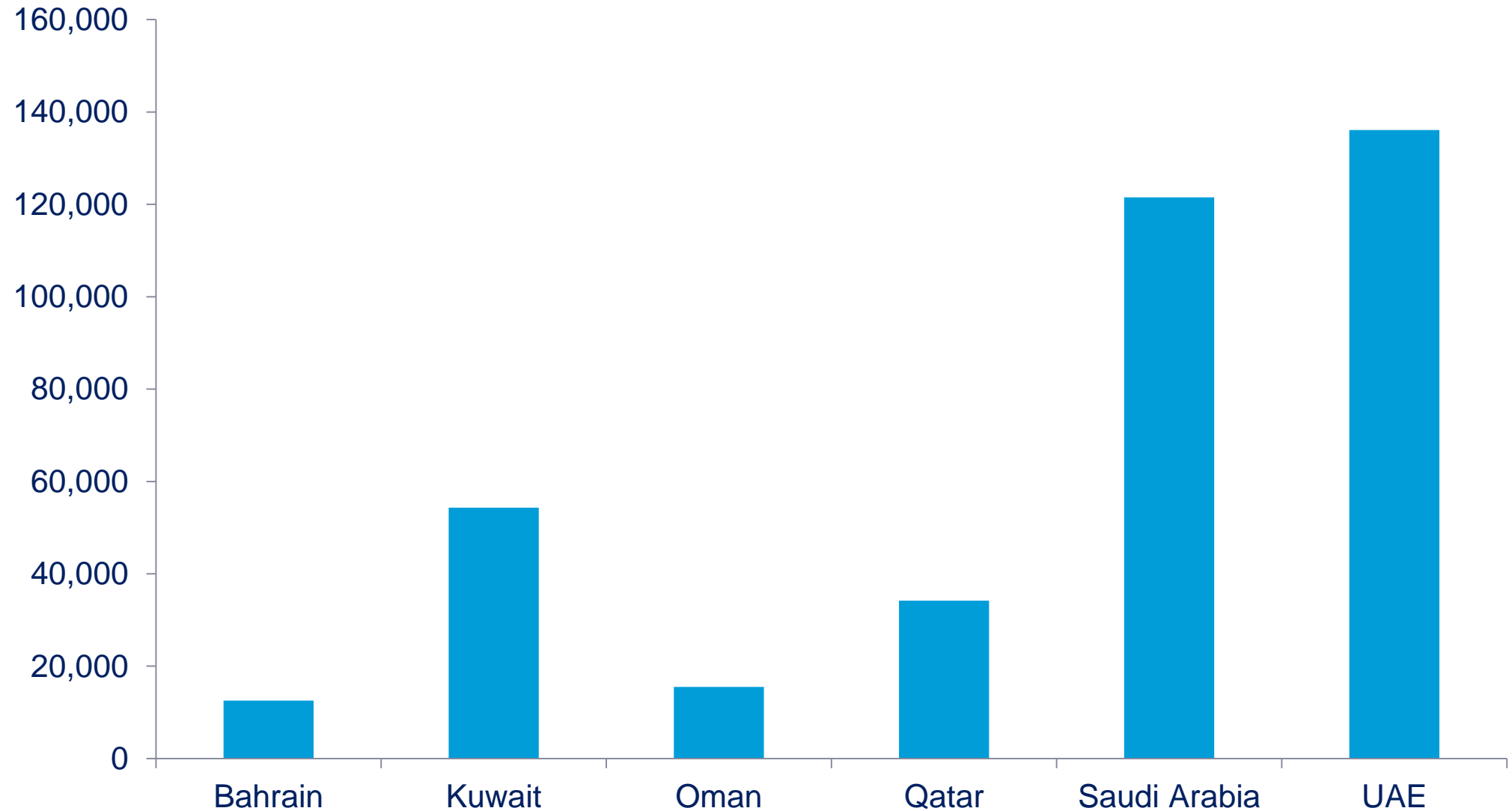
| Project | Sector | Value (\$m) |
|---|--------------|-------------|
| Qatar Primary Materials Company - Bulk Materials Handling System (MP-13-BMHS) | Industrial | 325 |
| QP- Strategic Petroleum Products Storage Project: Pipeline | Oil | 180 |
| QP- Strategic Petroleum Products Storage Project: Storage Tanks | Oil | 180 |
| QP- Strategic Petroleum Products Storage Project: Receiving Facility | Oil | 180 |
| Al Mana Group - Al Mana Tower (Burj Al Mana) | Construction | 158 |
| QF - Education City: Qatar International Golf Club | Construction | 120 |
| ASHGHAL – IDRIS(Package1):Lateral Interceptor Sewers: LIS 1 | Water | 90 |
| Daruna Development - Integrated Accommodation Facility | Construction | 40 |
| LREDC - Lusail: Qetaifan Islands South: Spine Road Infrastructure (CP08-A1) | Transport | 25 |

3

The Future

Budget Value of Planned & Un-awarded Projects by GCC Country (\$bn)

Budget Value of Planned & Unawarded GCC Construction Projects (\$m)



The market will depend on several factors

- The oil price (obviously)
- But more importantly – governments' commitment to maintain spending in the face of falling revenues to keep the economy moving
- The speed of enacting legislation, restructuring, prioritization of project plans, and ability to obtain funding
- Contractors and the supply chain's efforts to inform the government and support them in accelerating the market
- Time pressures on Expo2020, and the World Cup
- Situation should become clearer in the second half of this year

A real slow down in activity outside Dubai

The market is now split into two streams: good performers – Dubai, Kuwait and Oman; and poor performers – Qatar, Abu Dhabi and Saudi Arabia

Dubai appears to be decisively tackling the oil price issue by announcing a number of new projects and pushing ahead with its vision

On the other hand, Qatar and KSA in particular are struggling as the government is unable to find or release funds to pay for projects

As a result it appears that this year will substantially underperform against forecast. At the current rate, the projects market is set to hit about \$120bn worth of contract awards, well down on the \$165bn hit last year

If this is the case, it could be a disastrous year for the regional projects market and it remains to be seen whether contractors can maintain the cashflow levels needed to stay in business and/or pay their workers unless the governments act to alleviate the crisis



25 May 2016, Dubai

Presented by Ed James

Director of Content and Analysis, MEED Projects

Edward.james@meed.com

 @EdJamesMEED