

Planned projects for 2020 pegged at KD 8 billion, partly due to 2019 delays

Kuwait project awards fall short of expectations in 2019

Report prepared by NBK

The pace of project awards in 4Q19 slowed to a historically weak KD 180 million, compared to KD 281 million awarded in 4Q18, which is consistent with a continued downward trend in project activity over the last four years. Total awards stood at KD 1.1 billion in 2019, an exceptionally low figure, despite an initially planned figure of KD 4.4 billion at the start of the year. This was largely due to delays, prolonged bid negotiations and various technical difficulties, especially in the challenging area of public-private partnerships. Tight spending constraints imposed by the Ministry of Finance which are aimed at curbing a growing deficit may have been a further contributing factor, according to a report by MEED Projects.

The Transport sector saw the least activity in 2019, with only KD 147 million worth of projects awarded, followed by the Power and Water sectors with KD 220 million. By contrast, the Construction sector saw decent activity, with nearly KD 500 million in awards, accounting for just under half of 2019's total annual awards.

According to MEED Projects, some KD 8 billion worth of projects are planned for 2020, mostly in the petrochemical sector, but given the recent trend of delays and setbacks, we expect a much smaller figure to materialize. A large part of expected 2020 awards hinges on KIPIC's highly anticipated Al Zour Petrochemical Complex, scheduled for 4Q20 and valued at KD 2.85 billion. Additional large projects are also expected, in the power sector with the Dibdiba solar power plant and the KAPP/MEW Khiran IWPP valued at KD 360 million and KD 1 billion, respectively.

Transport

The transport sector saw exceptional weak activity in 4Q19, with only KD 11 million awarded. Total annual awards stood at KD 150 million, an 8-year low, coming largely from the Public Authority for Housing Welfare's (PAHW) Low Cost Residential Project: Infrastructure Works project valued at KD 67 million awarded in 1Q19. Looking forward, awards may rise in 2020, with about KD 1.3 billion planned during the first three quarters of 2020. Notable upcoming projects include several parts of the Northern Regional Roads (KD 444 million) and Ministry of Power and Water's (MPW)- Package 2: Landside Works (KD 345 million) as well as the Kuwait Airport Expansion: Phase 1: Package 1 (KD 150 million), which is scheduled for 1H 2020.

Construction

While the construction sector saw no awards in 4Q19, it was the lead-

Project Name	Sector	Value (KD million)	Expected Award
MPW - Northern Regional Road from Al Salmi Road to Abdaly Road Junction	Transport	180	1Q-2020
MPW - Regional Road South Part Project: Central Section	Transport	225	2Q-2020
MPW - Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A	Construction	271	2Q-2020
MPW - Package 2: Landside Works	Transport	345	1Q-2020
KNPC - Al Dibdibah Solar PV Power Plant in Shagaya Renewable Energy Complex	Power	360	1Q-2020
KAPP/MEW - Al Khiran IWPP Plant 1800 MW	Power	1,050	3Q-2020
KIPIC - Al Zour Petrochemical Complex: Package 1, 2 & 3	Chemical	2,850	4Q-2020

Source: MEED projects, as of January 14

ing sector in 2019 by value of projects awarded of KD 482 million, representing 42% of total awards. A noteworthy number of infrastructure projects took place including numerous parts of the Public Authority for Housing Welfare's (PAHW) Public Buildings in Al-Mutlaa City, with a combined value of KD 123.6 million, awarded in 3Q19. In addition to Tamdeen Group's Al Khiran Hybrid Outlet Mall (KD 196.8 million), and Amiri Diwan's Al Shaheed Park third phase (KD 84 million) both awarded in 1Q19. Looking forward, KD 1.3 billion in planned projects are scheduled for 2020, but we expect a smaller figure to materialize given the potential for delays.

On a positive note, the sector saw good activity in January 2020 thanks to the award of three packages related to two key housing projects by PAHW - the Sabah Al Ahmad and Jaber Al Ahmad housing megaprojects, a milestone achievement by the authority given the technical challenges and complexities of public private partnerships in the past. This will be the second example of a successful PPP in Kuwait (first being North Al-Zour) and may pave the way for more future projects between the government and private sector. Two packages related to the Jaber Al Ahmad project were awarded: the southern part (J2) commercial center spanning 145,000 sqm went to the Argaan international real estate consortium, while the mixed-use (residential/commercial) (J3) package with an area of 217,000 sqm went to the Mabane consortium. Finally, a single package (S2) of the Sabah Al Ahmad project, with an area of 1.29 million sqm dedicated for industrial use was awarded to Agility PWC.

Upcoming construction sector awards include Kuwait Authority for Partnership Projects (KAPP)/Kuwait Municipality - South Al-Jahra Labour City (KD 149 million), planned for 2Q20, Ministry of Power and Water's

(MPW) Mubarak Al-Kabeer Seaport Project: Phase 1: Package 3A (KD 271 million) and Ministry of Health's (MOH) - New Ibn Sina Hospital (KD 168 million), both planned for 3Q20.

Power and water

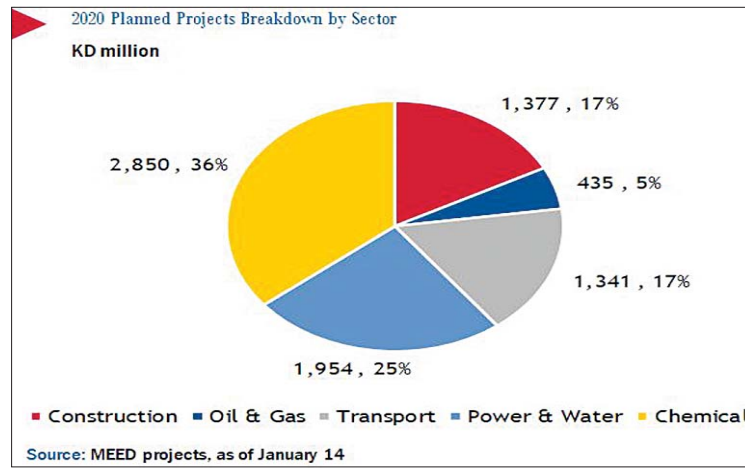
Despite a pressing need for power and water projects due to growing demand, awards came to a mere KD 40 million in 4Q19. Total 2019 awards for the Power & Water sectors stood at KD 220 million, falling short of 2018's KD 260 million. Awarded projects include several parts of PAHW's - 400KV Main Transformer Stations, at a combined value of KD 90 million awarded in 3Q19 and the Ministry of Electricity and Water's (MEW) - Construction of Ground Tanks at West Finatees (KD 18 million) awarded in 4Q19. The outlook for the power and water sector may improve in 2020 with about KD 1.9 billion in planned projects, including the Kuwait National Petroleum Company's (KNPC) - Al Dibdibah Solar PV Power Plant in Shagaya Renewable Energy Complex (KD 360 million) and KAPP/MEW - Al Khiran IWPP Plant 1800 MW (KD 1 billion), planned for 1Q20 and 3Q20,

respectively.

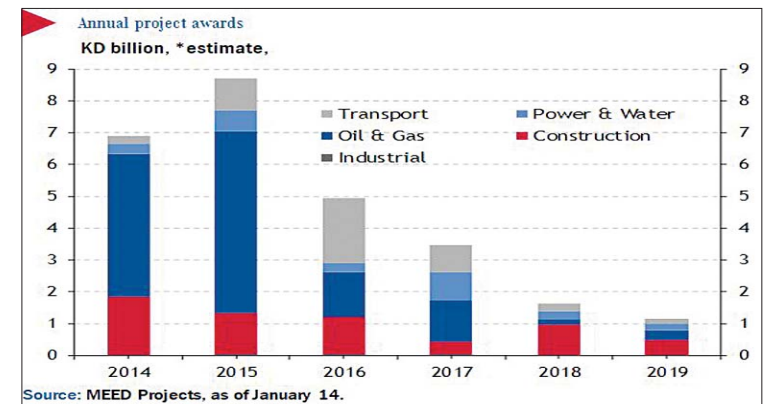
Oil, gas and chemicals

The oil and gas sector saw about KD 122 million in project awards in 4Q19 stemming from a single project: Kuwait Oil Company's (KOC)'s 11 Patterns Well Hook-up & Associated Works. Total 2019 project awards came to about KD 293 million, most of which came through in 2Q19 (KD 167 million), including KOC's New Strategic Gas Export Pipeline from North Kuwait to MAA (KD 144 million). Looking forward, the oil and gas sector may only see about KD 435 million in project contracts in 2020 coming largely from the gas sector, with KOC's Jurassic Non Associated Phase 2: JPF 4 & 5 valued at a combined KD 270 million, due in May 2020.

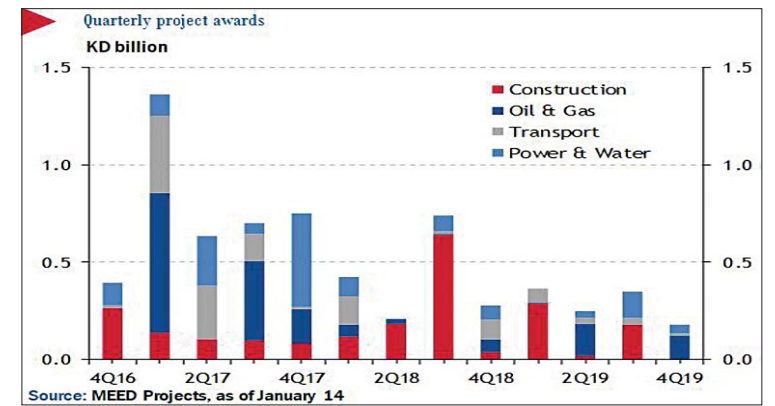
Kuwait's typically quiet chemical sector should see some much-anticipated movement in 2020, with Kuwait's Integrated Petroleum Industries Company (KIPIC) - Al Zour Petrochemical Complex. The mega-project is set to be awarded in 4Q20 and is valued at KD 2.85 billion.



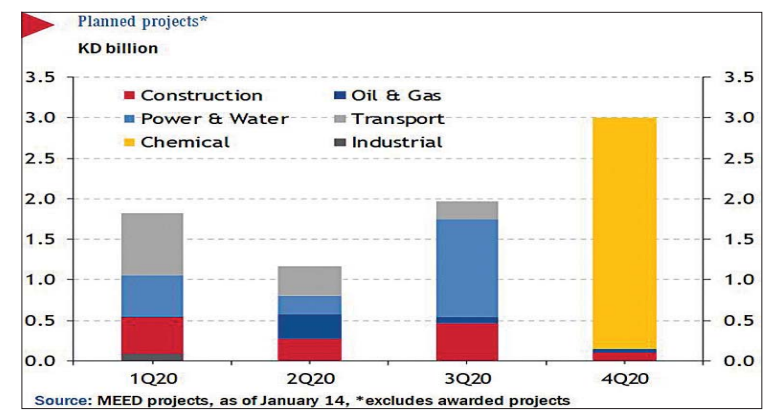
Source: MEED projects, as of January 14



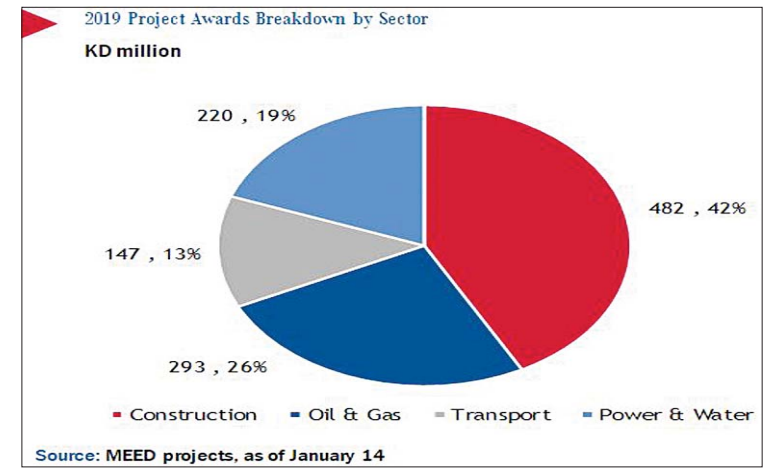
Source: MEED Projects, as of January 14.



Source: MEED Projects, as of January 14



Source: MEED projects, as of January 14, *excludes awarded projects



Source: MEED projects, as of January 14

the bottomline

KUWAIT CITY: The price of gold remained on an upward trajectory last week, rising as much as USD 1,590, as apprehension over the spread of coronavirus led to greater investment.

The price of gold hit its highest level since April of 2013 early last month, as investors sought to avoid risk assets following a spike in tensions between the US and Iran.

The coronavirus outbreak has triggered risk sell-offs and is expected to provide a lift to the price of gold, as the price of an ounce should fluctuate between USD 1600 to USD 1610, according to a report by local firm Sabaek Al-Kuwait.

Silver hit USD 18.20 per ounce, after earlier reaching its highest since early September at USD 18.85, the report showed. (KUNA)

DUBAI: The United Arab Emirates on Monday announced the discovery of a natural gas field containing 80 trillion standard cubic feet of gas between Abu Dhabi and Dubai.

Authorities said the new **Jebel Ali** field would help the Emirates become more energy independent, as the UAE now imports natural gas from Qatar for electricity.

The UAE is one of four Arab nations that have been boycotting Doha in a yearslong political dispute. (AP)

'Coronavirus' threatens global economy with widespread negative effects: report

Economic data raises concerns about a major decline in growth

Report prepared by NBK Capital

KUWAIT CITY, Feb 4: After a strong start for the markets at the beginning of the year in a continuation of the robust performance of December, major indices around the world retreated significantly and erased all of the gains recorded during the first 2 weeks of January.

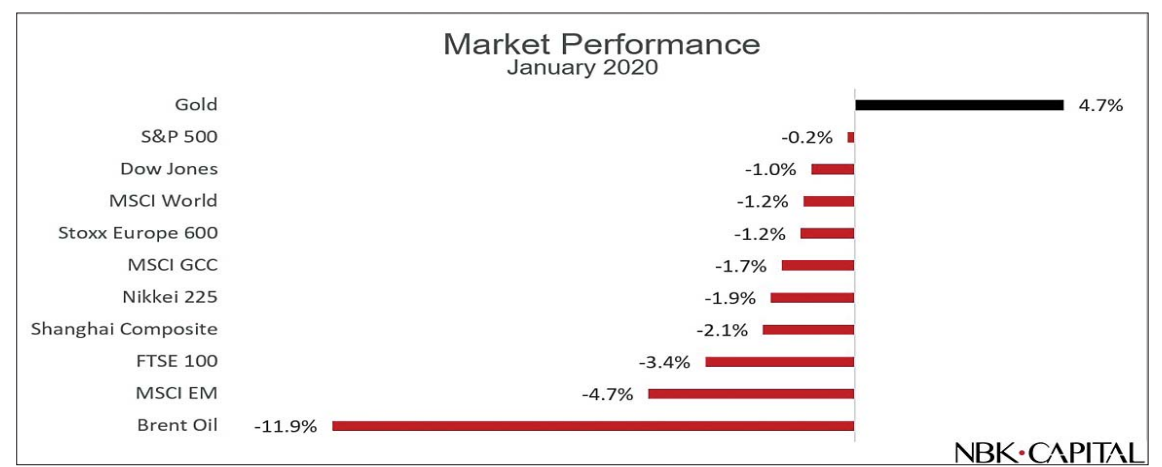
The outbreak of the coronavirus took its toll on world markets and is threatening to have wide reaching effects on the world economy. Confirmed cases of the virus topped 15,000 with more than a 100,000 under medical observation for possible infection and a death toll exceeding 300. The World

Health Organization (WHO) declared the outbreak of the virus a global emergency after more than 25 countries reported cases and airlines around the world started suspending flight into and out of China.

The MSCI AC World Index closed the month of January in the red with a loss of 1.2%. The index was up as much as 2.5% by mid-January before strongly retreating as it was pulled back by the negative performance of Asian and Emerging markets. The MSCI EAFE index, which represents the performance of developed markets outside of the US and Canada, declined by more than 3% during the second half of the month to close January at a negative 2.1%.

Kuwaiti market

The Kuwaiti market, on the other hand, continued to build on its posi-



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tive performance of the previous year and closed the month of January in the green with the Kuwait All Share Index up 0.7% and the blue-chip Premier Index up 0.8%. Elsewhere in the MENA region, Egypt's EGX 30 managed to recover most of the losses incurred during the first half of the month which took the index down by as much 1.5% and closed January with a marginal decline of 0.3%, while Morocco's MADDEX and Jordan's ASE Index finished the month in the green at 3.1% and 2.9% respectively.

GCC markets

In general, the GCC markets managed to buck the global markets trend in January with the exception of Saudi Arabia. The S&P GCC and the S&P Pan Arab indices closed the month down 1.6% and 0.7% respectively, dragged down by the performance of Saudi equities. The Tadawul All Share index closed the month down -1.7% despite a rebound in the last two trading days of January which narrowed its losses from -2.7%. On the positive side, Bahrain was the best GCC performer with a gain of 2.9% followed by Oman's MSM 30 Index which started the year on a positive note with a gain of 2.5% after recording a loss of 7.9% for 2019. In the UAE both markets closed in the green with gains of 1.6% and 0.9% for Abu Dhabi's ADX General Index Dubai's DFM General Index respectively.

Emerging markets

After a record performance for emerging markets in December, the MSCI EM Index and the MSCI Asia ex-Japan declined sharply during the second half of January and closed the month down 4.7% and 4.5% respectively. The indices had declined by as much as 7.4% and 7.9% from their January 17 peak as the risk off mode prevailed on the back of the corona-

virus concerns. Asian markets were mostly affected among their emerging market peers; the Shanghai Composite and Taiwan Stock Exchange index declined by 2.4% and 4.2% respectively. Brazil's Ibovespa recorded a loss of 1.63%, while Turkey's Borsa Istanbul 100 index and Russia's Stock Exchange index bucked the trend with gains of 4.1% and 1.0%.

Global markets

In the US, market tumbled on the last day of the month to continue a downward trajectory which started in the middle of January. A mix of global growth concerns stemming from the coronavirus outbreak and the not-so-good economic number in the US contributed to the decline. The preliminary numbers of the fourth quarter US GDP growth came in at an annualized 2.1% unchanged from the previous quarter. Looking deeper, however, shows that the biggest contributor to this number was 1.5% resulting from a decline in net exports, which retreated by 11.6% during the last quarter of 2019. These figures, although positive on the surface, reflect a weaker demand for the US economy as the reduction in net exports was a result of a slowing demand rather than an acceleration in exports.

Major US indices were caught up in the global markets decline and closed the first month of the year in the red after being up as much 3% around mid-January. The risk off mode which prevailed over markets during the second half of the month intensified at month end sending volatility to levels last seen in October 2019 as the VIX index reached a high of 20.0 at the end of January. Both the Dow Jones Industrial Average and S&P 500 closed the month down at -1.0% and -0.2% after retreating by more than 3.0% from their January 17 peak. The tech heavy Nasdaq managed to still close in the

green despite a 2.7% decline from its mid-month peak which brought its performance down from 4.7% to 2.0% at the end of January.

European Gross Domestic Product for the fourth quarter showed a further deceleration to 1.0% whereas preliminary estimated Q4 GDP was expected to grow by 1.1% compared to a Q3 reading of 1.2%. Inflation for January also retreated to 1.1% compared to 1.3% in December and consensus estimates of 1.2%. Manufacturing activity on the other hand improved somewhat as the Markit Manufacturing PMI increased to 47.8 compared to 46.3 in December. German manufacturing activity lent some support as the Markit Manufacturing PMI for Germany improved to 45.2 in January from 43.7 in December.

Equity markets in the Euro area virtually followed the trend of their global peers; following up on their December gains until mid-month then tumbling with the spread of the coronavirus pandemic. The Stoxx Europe 600 lost 1.2% during January, while the German DAX and the French CAC40 recorded losses of 2.0% and 2.9% respectively.

In the UK, the FTSE 100 closed the first month of the year and the last month as an EU member with a loss of 3.4%. January 31 marked the departure of the UK from the European Union after more than three and half years of the Brexit vote.

Manufacturing activity bounced back strongly in January after having contracted at the fastest since mid 2012 in December. The Markit manufacturing PMI recovered to 49.8 up from 47.5 for the previous month. Inflation declined markedly during December with the headline and core CPI measures recording 1.3% and 1.4% down from 1.5% and 1.7% in November respectively.

New unit to prepare studies, organize panel discussions

Gulf Bank launches Economic Research Unit

KUWAIT CITY, Feb 4: Gulf Bank recently launched their Economic Research Unit, which aims to prepare detailed analytical studies and compile reports on the most important economic issues in both the region and the world. Among the new unit's most important tasks is preparing studies that the bank's senior management can use to assist in their decision-making process and in setting the bank's strategy. The new reports will also pave the way for Gulf Bank to provide even more dedicated services to its clients, allowing customers to achieve their financial goals. As part of its commitment to raising the state of financial awareness in the region, Gulf Bank will also be making the new reports and relevant studies accessible to the general public through its various media channels, including social media.

The unit kicked off its activities in October 2019 with an economic forum on the real estate market in Kuwait. The economic forum, which was organized by Gulf Bank, was attended by a group of specialists from the public and private sectors. The Economic Research Unit also launched its first economic report, titled "Economic Insight Report," which details the current demographic makeup of Kuwait. The re-

port is the first of a series of reports that aim to discuss various financial and economic subjects with the goal of educating readers and guiding decision-makers. The Economic Research Unit also prepares the Weekly Market Brief, which summarizes the most important financial and economic events of the week.

Keeping in line with Gulf Bank's commitment to social responsibility and economic sustainability, the Economic Research Unit also prepares short weekly videos presented by Tareq Al-Saleh, Deputy General Manager of the Economic Research Unit at Gulf Bank. The videos aim to promote financial literacy and create a culture of financial awareness, and cover a variety of topics including Fintech, investment, saving, and general tidbits about the state of the economy. The one-minute tips are aired across Gulf Bank's various social media channels under the hashtag #info_in_minute



Al-Saleh

Tareq Al-Saleh, Deputy General Manager of the Economic Research Unit at Gulf Bank, said: "The establishment of the Economic Research Unit is a natural development for a bank the size of Gulf Bank. We have a large and diversified client base, and we strive to raise awareness in our society as part of our social responsibility initiatives, so it is only natural that we develop our service offering to include various reports based on sound economic data and financial research. We are delighted to have launched Gulf Bank's weekly one-minute videos in which we provide simple tips related to personal finance and also simplify a variety of financial topics that some may think are too complex or difficult to understand. We are looking forward to offering our clients even more services and activities in the future, which will include panel discussions with industry experts, various studies and financial reports, and more financial tips on social media."

To learn more about Gulf Bank's activities, customers can visit one of Gulf Bank's 58 branches or log on to www.e-gulfbank.com. Customers can also contact the Customer Contact Center by calling 1805805 or direct their queries through the WhatsApp app service on 65805805 for assistance and guidance.