

# Kuwait market update 2019

Third Quarter



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## Business Outlook

### Economics

- The World Economic Forum has listed Kuwait as the most improved in the MENA region (46<sup>th</sup> globally, up 8 positions) in the 2019 global competitiveness index (GCI)
- Kuwait maintained its top rank in the macroeconomic stability pillar, in the first place, and notably improved its rank in the health pillar (12<sup>th</sup> up from 38<sup>th</sup>), in the financial system pillar (34<sup>th</sup> up from 48<sup>th</sup> rank) in the GCI
- For the first time, Kuwait has entered the top 20 list of improvers in the Ease of Doing Business Index 2020 (by World Bank) out of 190 economies. The report showed that Kuwait has enhanced business reforms in accordance with its 2035 national vision and goals

### Growth

- The Standard and Poor's (S&P) stock market index assigned an AA credit rating to Kuwait with stable outlook. S&P expects Kuwait's growth rates to accelerate to an average of 2.5% during 2020–2022
- Kuwait's non-oil economic growth is expected to reach 3.5% in 2020, according to an International Monetary Fund (IMF) report. Kuwait is trying to diversify its economy away from oil sector
- Kuwait is investing heavily in its Northern Gulf Gateway (NGG) project to boost economic growth outside the oil sector which is predicted to attract up to \$450 billion in foreign investment



- Kuwait recently was upgraded from frontier to emerging market by Morgan Stanley Capital International (MSCI) as an acknowledgment of Kuwait's reforms, direction, and vision



### Events – Concluded & upcoming

- Construction Summit Kuwait 2019, a high-level event for the construction industry, was held in October 2019. At the event, Kuwait National Development Plan, New Kuwait – 2035, was put forth by authorities
- Gulf Defense and Aerospace (GDA) exhibition, an International defense Exhibition and Conference dedicated to Defense, Aerospace, Homeland Security and Safety & Security, proposed to be held on 10 ~ 12<sup>th</sup> of December 2019
- New Kuwait Summit, which is taking place on 10<sup>th</sup> & 11<sup>th</sup> of December 2019. The New Kuwait Summit will aim to attract insightful debate and information around the seven pillars identified by the Kuwait National Development Plan: Kuwait's Global Position, Infrastructure, Human Capital, Public Administration, Healthcare, Economy and Living Environment

## Macroeconomic Update

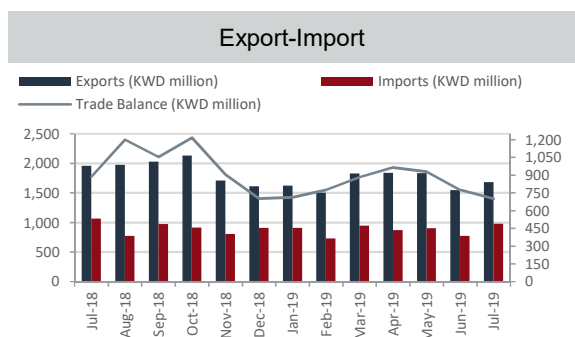
### Inflation

Inflation in Kuwait, measured on the basis of consumer price index (CPI), increased by 1.15% in July 2019 and 1.68% in September 2019 compared to same period last year

- Top three sectors to witness price hikes are the communications, transport and education segments which were up 5.41%, 4.50% and 3.86% compared to same periods last year, respectively
- Housing was the only segment to report a decline (0.78%) from same period last year

### Exports & Imports

- As of July 2019, exports stood at KWD 1.68 million, down 14.1%, and imports stood at KWD 0.98 million, down 8.1% decrease, compared with July 2018
- Balance of trade was KWD 0.70 million, down 21.3% from KWD 0.89 million in July 2018



### Export oil prices

- The average price of crude exported by Kuwait was \$62.16 per barrel in September 2019, down from \$64.90 per barrel in July 2019
- Oil production was steady during the quarter, and averaged 2.66 million barrel per day, between July 2019 and September 2019

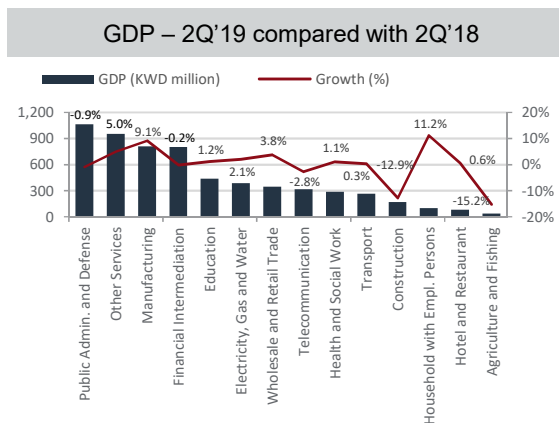
Source: Central Bank of Kuwait, Central Statistical Bureau, Kuwait (CSB) and OPEC  
 Note: CSB has changed the base year for CPI to 2013 from 2007, starting with June 2017 data.

### GDP

Kuwait's overall Gross Domestic Product is at KWD 9.7 billion for 2<sup>nd</sup> quarter 2019, a growth of 0.4% compared with 2<sup>nd</sup> quarter 2018

- Oil and Gas GDP declined by 0.36% to KWD 5.2 billion
- All sectors under Non-Oil and Gas GDP grew 1.36% except for agriculture (15.2%), telecom (2.8%), financial intermediation (0.8%), Public administration and defense (0.9%) and construction which contribution to the GDP declined to KWD 169 million from KWD 193 million, down 12.86%

\* GDP statistics published up until 2<sup>nd</sup> quarter only



### General record for consumer prices

The Consumer Price Index (CPI) increased monthly to 115.0 by 0.35 %, as a result of high prices of major groups in the movement of the indices



## Key projects update

Snapshot of projects proposed and concluded			
Project Name	Value (USD million)	Current Status	
<b>Infrastructure and Development – Proposed Projects</b>			
1	South Al-Jahra Labour City	495	Revised RFQ submission date; 15 Dec'19
2	Entertainment City Project	-	Municipal Council approved the construction and development
3	Shagaya Wind and Solar Complex - Phase 3	-	Expected to launch a tender in 2019
4	Developmental projects – Kuwait Ports Authority	-	KPA invites local, GCC and global corporations to participate
5	Al-Zour North Project IWPP – Phase 1 & 2	-	RFP for TAS has been cancelled, will be re-tendered soon
6	Al-Khiran IWPP (Phase 1)	-	
<b>Infrastructure and Development – Concluded Projects</b>			
7	Jaber Al-Ahmed bridge	160	Operations and maintenance contract signed
8	Al-Mutlaa City	356	Contract signed to construct roads and electrical networks
9	Ali Al Salem Air Base	9.3	Contract signed for mission support services
10	Kuwait International Airport – new terminal	-	Contract signed for to supply 190 elevators
12	Al-Abdali Road Phase	289	Signed a construction contract
<b>Oil and Gas – Proposed Projects</b>			
13	Ratqa/Rumaila and Safwan-Abdaly oilfields – Kuwait and Iraq		Contract to conduct technical study for joint frontier oilfields
14	Kuwait Oil Company's soil contamination removal project	3,000	Plans to complete all clearance work by 2024
15	Kuwait Petroleum Corporation (KPC) – Comprehensive restructuring of oil sector	-	Tender floated; last date 5 <sup>th</sup> Nov'19
16	Kuwait Jurassic projects	-	Companies invited to bid by August 19
<b>Oil and Gas – Concluded Projects</b>			
16	Al-Zour refinery – Expansion		Contract signed to increase the plant's output capacity
17	Al Zour refinery – Wastewater Treatment Plant	63	Maintenance contract signed
18	HPHT exploration wells with two jack-up rigs of Kuwait Oil Company (KOC)	-	Signed an integrated offshore drilling services contract
<b>Others – Proposed Projects</b>			
19	1.5GW Al-Dibdibah solar photovoltaic power project	~1,200	Plans to issue a contract
20	First techno-complex	-	Plans to build its first techno-complex to develop its industrial capacity
<p>Source: Kuwait Authority for Partnership Projects (KAPP), Factiva and publicly available information            Note: IWPP - Independent water and power project, EPC – Engineering, Procurement and Construction, RFQ – Request for Qualification, RFP – Request for Proposal, PPP – Public-private partnership, HPHT – High Pressure and High Temperature; TAS – Transaction Advisory Services</p>			

**A. Infrastructure and Development Projects**

• **KAPP discusses the Labor City Project with shortlisted companies**

The KAPP has invited the shortlisted companies to attend the induction meeting for the project. KAPP revealed that the Labor City project, located in south of Jahra with a capacity of 1,015,000 m<sup>2</sup>, will include several facilities such as housing units, commercial, governmental and public services

Shortlisted Companies
<ul style="list-style-type: none"> <li>• National Real Estate Company</li> <li>• Agility Public Warehousing Company K.S.C.P consortium comprising of National Industries Group (NIG)</li> <li>• Al-Mazaya Company consortium comprising of Kuwait Investment Company and Tariq Alghanim Ltd.</li> <li>• China State Construction Engineering Corporation Limited consortium comprising of Fouad Alghanim &amp; Sons and Kuwait Financial Center KPSC (MARKAZ)</li> <li>• United Real Estate Company (URC)</li> </ul>

The KAPP has released the RFP documents with reference to the investor’s request to extend the submission date announcing the change in submission date, from 16 Sep’19 to 15 Dec’19.

• **Kuwait approves new Entertainment City project**

Kuwait Municipal Council has given approval to a major leisure and amusement project, which will cover 2,650 m<sup>2</sup> of area in the capital city.

• **KAPP plans 2-GW Shagaya tender in current fiscal year**

KAPP made the announcement on June 30, 2019 that the third phase of Shagaya renewable park will combine solar photovoltaic (PV) capacity, concentrated solar power (CSP) and wind turbines.

• **Kuwait Ports Authority invites companies to participate in its developmental projects**

Kuwait Ports Authority organized an event on July 24, 2019, to showcase upcoming construction projects for its three national ports in various fields such as consulting, marine engineering, contracting, construction and technology etc. The Authority invited local, GCC and global corporations.

• **Kuwait cancelled the IWPP consultancy Services tender**

Kuwait’s Ministry of Electricity and Water announces that, it has cancelled the tender for “ RFP for Transaction Advisory Services for the Independent Water and Power Producers (IWPPs – Al-Zour I & II, and Al-Khiran I) in Kuwait”.

As per the statement, the tender will be retendered shortly after amending the tender documents.

• **Hyundai wins giant Kuwait bridge maintenance contract**

Kuwait’s Central Agency for public tenders has approved a USD 160 million contract involving South Korean construction conglomerate Hyundai. The project will involve operations and maintenance of the Jaber Al-Ahmed bridge.

As per the five-year contract, valued at KWD 9-10 million (USD 29-32 million) per annum, Hyundai will implement maritime dredging works and conduct regular examination of construction material for maritime and land causeways. The scope of work includes sewage and rainwater networks, maintenance of buildings, power installations, and air-conditioning sets; and cleaning and beautification works. The causeway, which stretches for over 30 km across Kuwait Bay to Sabbiya, is a key part of the country’s development strategy for 2035.

• **Kuwait signs USD 356 million (KWD 109 million) infrastructure contract for Al-Mutlaa City**

Dr Jenan Boushehri, Kuwait’s Minister of Public Works and Minister of State for Housing, has signed a USD 356 million (KWD 109 million) agreement for infrastructure development, including roads, within Al-Mutlaa City’s southern residential area which after completion would link the city with adjacent areas.

- **DynCorp International wins AFCAP IV task order for mission support services at Ali Al Salem Air Base**

The Air Force Installation Contracting Center (AFICC) has awarded DynCorp International an Air Force Contract Augmentation Program (AFCAP) IV task order for Mission Support Services (MSS) at the Ali Al Salem Air Base in Kuwait. The task order revenue is USD 9.3 million over a 31 month period, extending until September 27, 2021.

DynCorp will also provide services at the Al Mubarak Air Base (AMAB), the military portion of Kuwait International Airport. It will also provide training to air force personnel on electrical power operations and maintenance.

- **Otis wins elevator supply contract for Kuwait International Airport new terminal**

Elevators manufacturer Otis, a subsidiary of United Technologies Corporation, has secured a contract to supply 190 elevators. The company will deliver 171 Gen 2 and 19 heavy-duty elevators with capacities to move up to 5,000 kg and up to 10 tons.

The units feature Otis technology, such as Regen Drive, Gen2 flat-coated steel belts, and Pulse monitoring systems.

- **Itinera, an Italian based infrastructure and construction firm awarded with contract for USD 289 million Al-Abdali Road Phase**

Kuwait's Minister of Public Works and Minister of State for Housing Affairs, announced that a USD 289 million (KWD 88 million) contract had been awarded to Italian infrastructure and civil construction firm Itinera for the development of Al-Abdali road.

The contract covered Phase 2 of the Al-Abdali road development project, and the scope includes expanding the road's existing outgoing and incoming lanes from three to five, in addition to constructing three intersections and six bridges.

## B. Oil & Gas Sector Projects

- **Kuwait and Iraq have signed a contract to exploit shared oilfields**

Kuwait and Iraq has signed a contract to conduct a technical study for joint frontier oilfields. Both the countries have engaged British energy advisory firm ERC Equipoise (ERCE) to determine the optimal way to invest into and tap their shared oilfields.

- **KOC to clean 17 million m<sup>3</sup> of oil-soaked sand**

Imad Al-Sultan, Chief Executive Officer of KOC, announced that the organization would execute three projects to clean 17 million m<sup>3</sup> of sand contaminated by oil on national territories and will complete the work by 2024.

KOC has sought USD 3 billion (KWD 912.3 million) from the UN Compensation Commission for the projects.

The first project will treat 9 million m<sup>3</sup> of contaminated soil in the south of Kuwait. The second one will clean 4 million m<sup>3</sup> of sand in Al-Rawdatain, Al-Sabriya, and Umm Al-Aish, the latter of which is in the north. The third project will clean 4 million m<sup>3</sup> of sand.

- **KPC to execute restructuring project for oil sector**

Kuwait Petroleum Corporation (KPC) has taken a step in the implementation of a comprehensive restructuring project for the oil sector. It floated a tender, which was published in Kuwait Gazette.

### Eight qualified companies for the restructuring

- Strategy Company (Unknown)
- Boston Group for Consulting
- AT Kearney
- Accenture Middle East Consultants
- Pine & Company
- Oliver Wyman Company
- McKinsey
- Deloitte Consulting Company

KPC has qualified eight international companies to participate in the tender. The deadline for the submission of offers to the Supreme Procurement Committee in the ministry is November 5, 2019.

**B. Oil & Gas Sector Projects (continued...)**

- **Kuwait's Central Agency for Public Tenders (CAPT) announced it will invite companies to bid for two upcoming Kuwait Jurassic projects**

The contracts cover Jurassic Production Facility 4 (JPF-4) and JPF-5. CAPT published a list of 11 prequalified bidders

Eleven qualified bidders
• Daewoo Engineering & Construction (S Korea)
• JGC Corporation (Japan)
• KBR (US)
• Petrofac International (UK)
• Saipem (Italy)
• Samsung Engineering (South Korea)
• SNC Lavalin (Canada)
• Tecnicas Reunidas (Spain)
• Schlumberger Oilfield Eastern Limited (US)
• Spetco International Petroleum (Kuwait)
• Al-Khorayef Group (Saudi Arabia)

The companies that are awarded the projects will have 22 months to execute the construction and will then operate and maintain the facilities for five years.

Together, the two contracts will create an onshore surface production facility with the capacity to produce 50,000 barrels of oil a day and 150 million standard cubic feet of gas a day.

- **KOC awards Halliburton integrated offshore drilling services contract**

KOC has signed a USD 597 million drilling deal with Halliburton, as part of its plan to increase production capacity by charting new territory in offshore Kuwait. The contract has been signed for six high-pressure, high-temperature (HPHT) exploration wells on two jack-up rigs in the Arabian Gulf.

Halliburton will provide and manage drilling, fluids, wireline and perforating, well testing, coring, cementing, coiled tubing, and all offshore logistical services. It will also provide offshore rigs and supply vessels for the project. The contract is for a three-year term, with a six-month extension option. Work will begin in mid-2020. The expected start date for the first rig is July 2020 and the second rig is January 2021.

- **KIPIC inks USD 63 million deal with Veolia**

Water management and energy services provider Veolia has signed a seven-year deal for the operations and maintenance of a refinery wastewater treatment plant in southern Kuwait.

The agreement will involve the upkeep of one of the largest refinery complexes in the world, currently under development at AL-Zour. Once complete, the refinery, situated in Al-Zour, will have a production capacity of 615,000 bpd, and will increase the country's production capacity to 1.5 mbpd.

- **KIPIC selects Honeywell for expansion of Al-Zour refinery**

Kuwait Integrated Petroleum Industries Company (KIPIC) has awarded a contract to Honeywell to reconfigure the refining and petrochemicals sections of its Al-Zour refinery in Kuwait. Honeywell will use its UOP technology in the project.

Honeywell will provide catalysts and adsorbents for the production of clean-burning Euro-V fuels, propylene, paraxylene, and other petrochemicals. In addition, it will offer technology licenses, design services, and equipment.





**C. Other sectors**

- **Kuwait National Petroleum Company (KNPC) plans to issue a contract for its Al-Dibdibah solar photovoltaic power project**

KNPC reportedly plans to award a contract for its 1.5GW Al-Dibdibah solar photovoltaic (PV) power project in Al-Shagaya. A total of 18 contractors, including SNC-Lavalin, Acwa Power, Metallurgical Corporation of China, and Masdar, are in the running to work on the project.

According to Thomson Reuters, the project is scheduled to be completed by Q'3 2021. KNPC will invest \$1.2 billion (KWD 365.1 million) in the project.

**Bidders of 1.5GW Al-Dibdibah solar PV project for general trading and contracting**

- |  |   |
|--|---|
| • General Electric                     | • Datang International Power Generation           |
| • Shanghai Electric Group              | • Jinko Solar                                     |
| • Consolidated Contractors Co          | • TSK Electronica y Electricidad                  |
| • China Communications Construction Co | • Norinco   |
| • Al Ghanim International Corp         | • China Machinery Engineering Corp                |
| • Al Mulla Group Holding Co            | • China National Machinery Import and Export Corp |
| • First Solar                          | • Gopco Al Khalij                                 |

- **Kuwait to set up its first techno-complex to boost industrial capacity**

Kuwait's director-general of the General Authority for Industry, Abdul Karim Taqi, said that the authority plans to build its first techno-complex to boost Kuwait's industrial capacity. The complex will be spread across 200,000 square meters, and will primarily contribute to the petrochemicals, renewable energy, and water sectors through industrial and technical research.

It will also include training centers for the industrial sector, and will support small and medium businesses.



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