

# Kuwait Market Update 2019

## Fourth Quarter



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## Business Outlook

### Growth – key updates

- Kuwait's stock market has been reclassified from frontier to emerging market by Morgan Stanley Capital International (MSCI)
  - After this upgrade, total foreign investments into Boursa Kuwait is estimated to reach USD 4 billion
  - Kuwait is now classified as emerging market at the MSCI, S&P and FTSE Russell, the world's three largest indices, which mirrors the improving economic conditions of the country



- World Bank: Kuwait's GDP to rebound in 2020
  - Gross Domestic Product (GDP) growth is estimated to reach to 2.2%, driven by the country's plan to increase oil production after March 2020
  - Kuwait's GDP is expected to grow 2.0% in 2021, supported by its increased investments in enhancing oil production capacity, along with higher spending on non-oil infrastructure
- Investment as per Development Plan
  - The Supreme Council for Planning and Development, announced that the country plans to invest USD 10.9 billion under its Development Plan 2019–20
  - The number of projects in this plan stands at 135, with 51 (38%) in the preparatory stage and 75 (56%) in the executive phase

### Economy

- Kuwait and Saudi Arabia to resume production from joint oilfields
  - Kuwait and Saudi Arabia inked the deals to restart production from the Khafji and Wafra oilfields. These oilfields are located in a neutral zone between Saudi Arabia and Kuwait (production at these fields was suspended more than three years ago). Prior to suspension, these fields use to supply 500,000 barrels per day (bpd)
  - Production from the Khafji and Wafra oilfields will be in line with OPEC commitments to reduce oil output
- OPEC agrees to cut additional oil production in December
  - OPEC, led by Kuwait, Saudi Arabia, and the US, and its allies have agreed to reduce oil production by 500,000 barrels a day until March 2020
  - This is an attempt to retain oil prices within USD 60 per barrel

### Fiscal Policy

- Central Bank lowers discount rate
  - The Central Bank of Kuwait announced that the bank will reduce its discount rate by 0.25% to 2.75%
  - This move aims to maintain monetary and fiscal stability, and support non-inflationary growth in non-oil sectors and it intends to encourage demand for loans from productive economic sectors and improve the investment environment
  - A lower discount rate will stimulate aggregated demand and boost GDP across non-oil sectors

## Business Outlook

### Key events held and upcoming

- **Kuwait Aviation Show 2020**
  - Kuwait Aviation Show invited professionals who are involved in the aerospace, airlines and defense sector
  - It was held on 15<sup>th</sup> – 18<sup>th</sup> January at Kuwait International Airport. Attended approximately by 300 exhibitors, 15,000 trade visitors with 60 aircrafts on display
- **Gulf Business Forum**
  - The Gulf Business Forum is the largest and most important economic conference in Kuwait and the GCC, as it is anticipated to be attended by a large number of senior statesmen and senior investors from inside and outside Kuwait
  - Proposed to be held on 4<sup>th</sup> - 5<sup>th</sup> February 2020
- **Kuwait Building Show**
  - Kuwait Building Show Is one of the largest building, construction and design events in Kuwait, its is a gateway to one of the GCC's emerging markets
  - The show attracts over 2,000+ decision makers for companies which are looking to find partners in the region and 4,000+ consumers for companies who would like to sell their products at the show
  - Proposed to be held on 4<sup>th</sup> - 7<sup>th</sup> March 2020
- **Kuwait Waste Management Conference & Exhibition**
  - Discussions on modern methods, technologies and solutions for good management of industrial, medical and residual waste. Includes review of local and international experiences in the field of recycling and waste management
  - Proposed to be held on 11<sup>th</sup> - 12<sup>th</sup> March 2020
- **Arab International Conference and Exhibition on Nanotechnology**
  - Exhibition on Nanotechnology will bring together expert researchers, academicians, and industrial sectors to share their expertise relative to applications and knowledge on Nanotechnology and Advanced Materials
  - Proposed to be held on 17<sup>th</sup> - 19<sup>th</sup> March 2020
- **International Conferences**
  - **Medical & Health Science**

The aim is to provide a platform to the researchers and practitioners from both academia as well as industry to meet and share cutting-edge development in the field
  - **Science, Engineering & Technology**

The aim is to provide the platform for Students, Engineers, Scientists, Researchers and Academicians to share the knowledge and ideas in the recent trends in the field of Science, Engineering & Technology

It covers topics like Information Technology, Computer Engineering, Chemical Science and Engineering, Civil Engineering, Mechanical Engineering, Electrical and Electronics Engineering, Architecture, Renewable Energy, Environmental Engineering, etc.
  - **Management, Economics & Social Science**

The aim is to provide the platform for Students, Researchers, and Academicians to share the knowledge and ideas in the recent trends in the field of Management, Economics & Social Science

It covers topics like Intellectual Property Brands and Branding, Banking and finance, Business Ethics, Public Management, Financial Economics, Commerce, History, Anthropology, Arts etc..

The above mentioned International conferences proposed to be held on 28<sup>th</sup> - 29<sup>th</sup> March 2020

## Macroeconomic Update

### Inflation

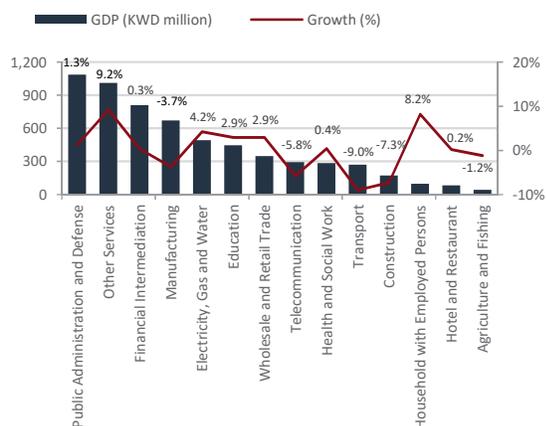
- Inflation in Kuwait, measured on the basis of consumer price index (CPI), increased 1.59% YoY in November 2019
- The top-three segments to witness price hikes were transport, communications and education (up 4.42%, 4.23% and 3.86%, respectively, on a YoY basis)
- Housing was the only segment to report a decline (0.86%) from the same period last year

### GDP

- GDP is at KWD 9.77 billion for 3rd quarter 2019, a growth of 0.42% compared with 3rd quarter 2018
- Oil and Gas GDP declined by 5.30% to KWD 5.18 billion
- Non-Oil and Gas sector GDP grew 7.8% with contributing sub-sectors such as other services grew 9.2%, household with employed persons 8.2%, electricity, gas and water 4.2%, education 2.9%, and wholesale and retail trade 2.9% among others

However, transport sector's GDP posted the highest 9.0% decline, reached from KWD 296.2 million to KWD 269.5 million

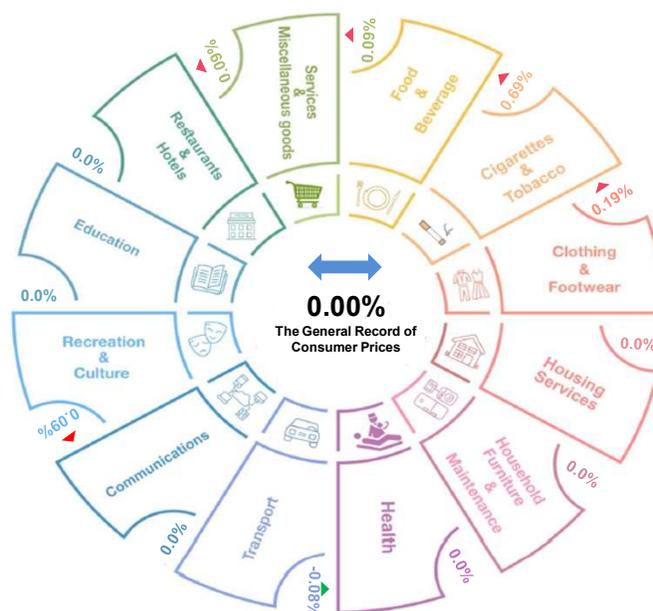
GDP – 3Q'19 compared with 3Q'18



Source: 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.

### General record for consumer prices

- In November 2019, the consumer price index (CPI) remained flat on a monthly basis at 115.0 (most of the contributing industry prices to the CPI index were stable)



### Exports & Imports

- As of September 2019, exports stood at KWD 1.57 billion, down 21.3%, and imports stood at KWD 0.83 billion, down 14.1% on a YoY basis
- The balance of trade was KWD 0.74 billion, down 28.2% from KWD 1.03 billion in September 2018

### Export oil prices

- The average price of crude exported by Kuwait was USD 63.72 per barrel in November 2019, up from USD 60.52 per barrel in September 2019
- Oil production was steady during the quarter and averaged 2.69 million bpd between October and November 2019

## Key Projects Update

### Snapshot – Proposed and Concluded Projects

Project Name	Value (USD million)	Current Status	
<b>A. Infrastructure and Development – Proposed Projects</b>			
1	Fahaheel Road Expressway	4.400	Tender to be issued in 2020
2	New assembly point for mass transportation near Magwaa Checkpoint	-	KOC announced upcoming tender for new assembly point
<b>A. Infrastructure and Development – Concluded Projects</b>			
3	The Shaikh Jaber Al Abdullah Al Jaber Al Sabah Tennis Complex	-	Contract entered between Tamdeen Group and Rafa Nadal Academy
4	Fiber-optic joint venture	-	Taihan Electric will form JV with Kuwaiti Investors
<b>B. Oil and Gas – Proposed Projects</b>			
5	Jurassic Projects at North Kuwait	-	KOC announced upcoming tender for design and engineering services
6	Well testing and associated services contract for KOC	2.1	KOC issued an RFP
<b>B. Oil and Gas – Concluded Projects</b>			
7	New Petrochemicals and Refinery Integration Al Zour Project	-	Contract entered between KIPIC and Honeywell
8	Lump sum turnkey (LSTK) project	-	Contract entered between Baker Hughes and ADES
9	Wafra Oil Field	37.8	Contract entered between KGOC and Al Imtiaz Investment Group
<b>C. Other Sectors – Proposed Projects</b>			
10	Renewable energy farm in Ahmadi Township	-	KOC announced upcoming tender for renewable energy farm
11	Construction of area substations in Bahra Field	-	KOC announced upcoming tender for electric substations
12	Dedicated business unit at KOC	-	KOC announced RFP for consultancy services
<b>C. Other Sectors – Concluded Projects</b>			
13	Chemical Substance supply	2.9	Contract entered between MEW and Al Kout Industrial projects
14	Imports of seamless pipes	5.5	Contract entered between KOC and HEISCO
15	Umm al-Hayman wastewater PPP	-	KAPP signed MOA with KIA and WTE Wassertechnik GmbH

Source: Kuwait Authority for Partnership Projects (KAPP), Factiva, Kuwait Oil Company (KOC), Publicly available information

Note: IWPP - Independent water and power project, EPC – Engineering, Procurement and Construction, RFQ – Request for Qualification, RFP – Request for Proposal, Kuwait Integrated Petroleum Industries Company (KIPIC), Kuwait Gulf Oil Company (KGOC), Heavy Engineering Industries & Shipbuilding Co (HEISCO), Kuwait Investment Authority (KIA), Ministry of Electricity and Water (MEW)

## A. Infrastructure and Development Projects

- Kuwait's PART will issue tender for Fahaheel Road Expressway

- The Public Authority for Roads and Transportation (PART) is set to issue a tender to develop the Fahaheel Road Expressway in 2020. This will involve the expansion of a 38 km road into a multi-lane expressway in Al Ahmadi, Kuwait
- The authorities were proposing to complete the designs for the project by December 2019. Khatib & Alami will act as the consultant, in association with local engineering consultant, Kuwait Technical Consulting Bureau
- The development includes constructing U-turns and increasing the number of exits to ease traffic jam. The expansion will convert the road to four lanes instead of three (including lanes that connect to residential areas)



- KOC announced to float a tender for the construction of a new assembly point for mass transportation near Magwaa Checkpoint

- The project's scope includes design, procurement, supply materials and construction of new car park area, construction of medium security fence, and construction of reception building

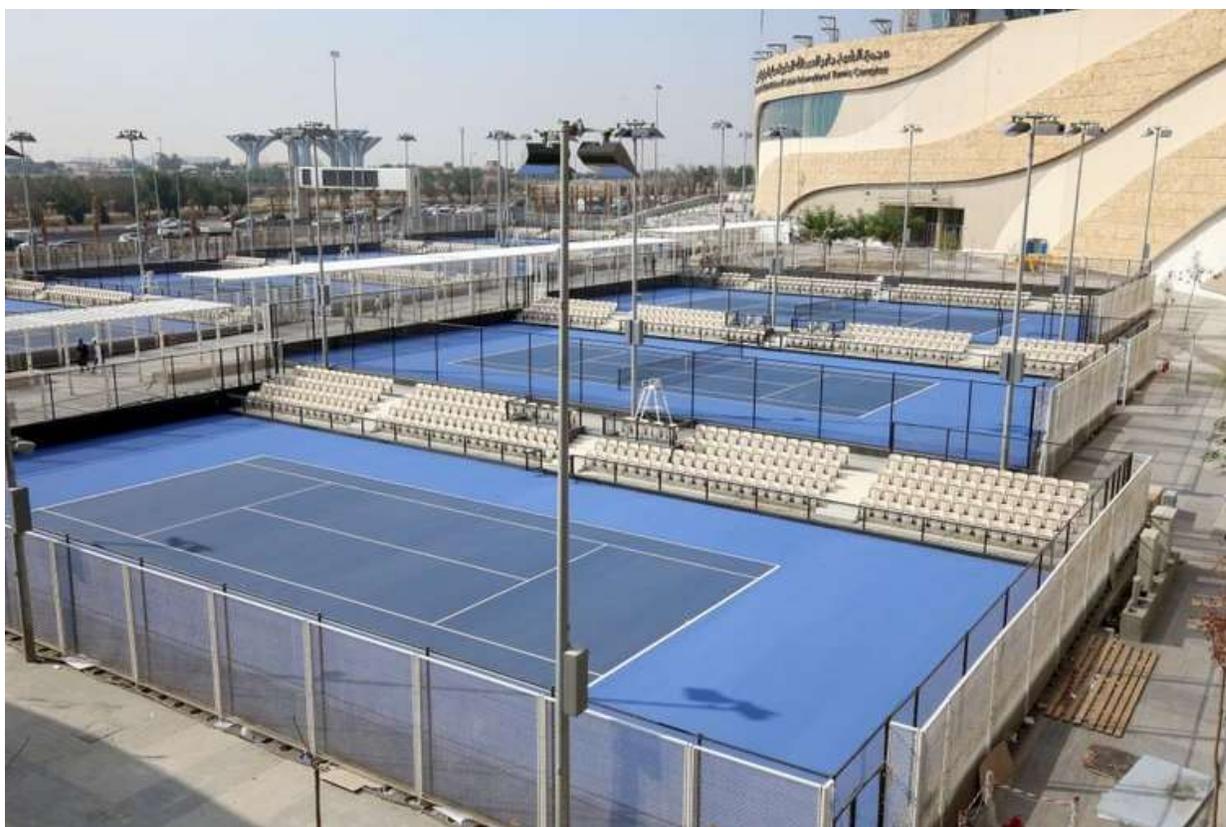
Following are the list of bidders for new assembly point:

### Bidders

- Sasco Gulf General Trading & Contracting Co.
- Al-Hana United General Trading And Contracting Company
- Al-Ahd Al-Jadeed Bldg Materials
- Associated Construction Company
- Boodai Constructions
- Canar Trading & Contracting Co.
- El-Eman Construction
- Cije Kuwait General Contracting
- Integral Services Company
- Prime One Group
- Bayan National Construction Contracting Co
- Trio Arab Company
- Energoproject General Trading & Contracting
- Kuwait Building House Company
- Al-Shaheen Technical Contracting
- Hot Engineering and Construction Co.
- Middle East Development Co.
- KCC Engineering and Contracting Co.
- Al-Jazirah Industrial Projects.
- Petrocorp International
- Turki Al-Dabbous & Sons Co
- Al-Saif United
- Al-Ghanim International
- Khalil Mahmoud for Gen Trad and Cont.
- Shati Al-Shamce Gen Trdg & Contr Co
- Trans Atlantic General Trading And Contracting
- KDDDB General Trading And Contracting

## A. Infrastructure and Development Projects (cont'd)

- Tamdeen Group inks deal to launch Rafa Nadal Academy
  - Tamdeen Group has entered into an agreement with Rafa Nadal Academy, one of the world's leading tennis centers to launch the biggest international tennis academy in the Middle East
  - As part of a 263,000 sq. m development alongside Tamdeen's flagship 360 Mall, Rafa Nadal Academy – Kuwait will be a part of the first multi-facility and multi-services tennis complex in Kuwait
  - The Shaikh Jaber Al Abdullah Al Jaber Al Sabah Tennis Complex features 18 courts, including a multi-purpose covered arena with more than 5,000 seats, a secondary open court with 1,500 seats, 8 covered courts, and 8 open courts
- Taihan agrees to set up fiber-optical cable joint venture in Kuwait
  - Taihan Electric Wire Co announced that it will establish a fiber optic cable manufacturing joint venture in Kuwait to tap opportunities in the Middle East
  - As per the agreement with its Kuwaiti partners, including Rank General Trading and Contracting Co., Taihan will set up facilities in Mina Abdullah Industrial Area, southeast of Kuwait City, in the first half of 2020



## B. Oil & Gas Sector Projects

- KOC announced upcoming tender for Design & Engineering Services for Jurassic Projects at North Kuwait

- Work comprises of site survey, collection of site data, soil investigation, preparation of design documents related to process, mechanical, pipeline, electrical and instrumentation etc. for the Jurassic projects at North Kuwait

- KOC issued RFP for well testing and associated services

- KOC issued an RFP for well testing services, the scope of services include:

Providing patented technologies, trained personnel and speed monitors among others for testing services of wells

The bidders for the project are as follows

### Bidders

- Al Mansoori Production Services
- Expertest Pty Ltd
- Expro Worldwide BV
- Sahara Petroleum Services (Sapesco)
- MB Petroleum Services
- Gulf Drilling & Maintenance
- Spetco International Petroleum Company
- Halliburton Overseas Ltd
- Greatwall Drilling Company
- Agar Corporation Weatherford Oil Tool Middle East, Ltd
- Tetra Technologies Inc.
- Schlumberger Oilfield Eastern Ltd

- Honeywell wins contract for Petrochemicals and Refinery Integration Al Zour Project (PRIZe)

- KIPIC has named Honeywell Process Solutions (HPS) as the main automation contractor for PRIZe

According to Hatem Al-Awadi, acting CEO of KPC, the project will revolutionize Kuwait's domestic production capabilities and help KIPIC meet the increasing demand for fuels and petrochemical products

- HPS will provide KIPIC with front-end engineering design and advanced process control technology for the complex. The project will become the first integrated refining and petrochemicals complex in Kuwait

- ADES International Holding PLC secures new contracts in Kuwait

- ADES International Holding PLC announced that it has secured its first onshore deep drilling contract under a lump sum turnkey (LSTK) project in Kuwait with Baker Hughes

- Work will commence in the second quarter of 2020

- Al Imtiaz Investment's unit seals contract for Wafra oil field

- Al Imtiaz Investment Group has signed a KWD 11.5 million (USD 37.8 million) contract to import main and secondary heavy equipment for KGOC

- The tenure of the contract is five years and it will be undertaken in the Wafra oil field in the neutral zone between Kuwait and Saudi Arabia

## C. Other Sectors Projects

- KOC announced upcoming tender for construction of new renewable energy farm in Ahmadi township
  - KOC announced that it will float a tender for a new renewable energy farm in Ahmadi Township
  - As per the township's master plan, 15% of the energy demand will be achieved from renewable resources
- KOC announced upcoming tender for construction of electric substations at Bahra Field
  - KOC announced that it will float a tender for the construction of 11KV, 72MW Bahra, a main intake substation and 11KV 20MW BA-A2 area substation in Bahra Field
- KOC announced upcoming tender to set up a new business unit
  - KOC announced that it will float an RFP for consultancy services to establish a dedicated business unit for cost estimation within company
- Al Kout inks deal with Kuwait's MEW
  - Al Kout Industrial Projects signed a contract worth KWD 0.8 million (USD 2.9 million) with the MEW in Kuwait
  - The 36-month contract has been in effect from October 6, 2019
  - The project covers the import and delivery of chemical substances related to the ministry's power and water distillation plants
- HEISCO wins tender for supply of seamless pipes
  - HEISCO was awarded a KWD 1.668 million (USD 5.5 million) tender to import seamless pipes
  - The 36-week tender is offered by KOC
- Kuwait signs MOA for Umm al-Hayman wastewater PPP
  - KAPP has signed a memorandum of association (MoA) to implement and expand Umm al-Hayman wastewater project and all its complementary works
  - The MoA was signed amongst KAPP, Kuwait Authority for Investment and strategic investors lead by WTE Wassertechnik GmbH
  - KAPP selected Germany's Wassertechnik and Kuwait International Financial Advisors as the preferred bidder for the project, following a competitive bidding process



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