

Kuwait Market Update 2020

First Quarter

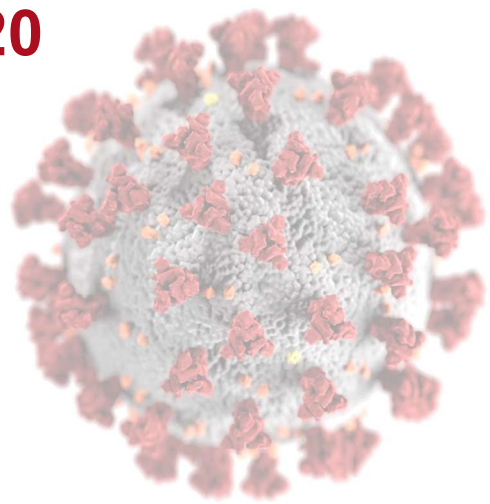


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Business Outlook

Economic Measures

- **Kuwait's cabinet adopts recommendations to address economic repercussions of coronavirus pandemic (COVID-19)**
 - Kuwait's cabinet reviewed a report placed by a 82-member joint economic team, formed by government agencies and the private sector, to provide practical scenarios to address the economic repercussions of the pandemic and mitigate its effects
 - The report is aimed at confirming the state's ability and keenness to preserve the fundamentals of the economy, avoid costs arising from stopping the wheels of the national economy, diminish negative effects across some economic sectors, and maintain the country's credit rating
- **Central Bank of Kuwait (CBK) initiatives**
 - CBK announces USD 16.5 billion stimulus package in response to adverse effects of Covid-19
 - ❖ CBK package will be made available to local banks for financing economic activities, as well as for lending to small and medium-size enterprises (SMEs)
 - ❖ CBK will enable banks to play a vital role in Kuwait's post COVID-19 economic growth
 - CBK proposes three-month moratorium on loans for COVID-19 affected companies
 - ❖ CBK has requested banks to postpone loan repayments schedules of private sector companies affected by the COVID-19 for three months
 - CBK sets up fund to support state efforts against novel COVID-19
 - ❖ The CBK has announced the establishment of a KD10 million (USD 32 million) fund that will support efforts to combat the spread of COVID-19 in Kuwait
- CBK reduces capital adequacy and liquidity requirements for SMEs
 - ❖ Has cut capital adequacy requirements for SMEs by 2.5% (from 13% to 10.5%), and eased the risk weightage to 25% from 75%
 - ❖ Has raised the maximum lending limit to 100% from 90%
 - ❖ Has also increased the maximum financing for residential real estate developments, making it equivalent to property value or cost of development
- CBK lowers discount rate by 1.0% to further reduce cost of borrowing
 - ❖ The CBK has announced cut in discount rate of 1% (i.e., from 2.5% to 1.5%, effective 17 March 2020)
 - ❖ This historical low interest rate aims to reduce the cost of borrowing across economic sectors to foster an atmosphere conducive to sustainable economic growth and to maintain monetary and financial stability
 - ❖ The CBK has also decided to cut the repo rate and all monetary policy instruments by 1%
- **Kuwait Banking Association offer six-month moratorium for repayment of loans**
 - The Kuwait Banking Association has declared that domestic banks will allow repayment of instalments after a break of six months
 - Banks will also cancel interests, proceeds and any other fees incurred during the six-month moratorium
- **Kuwaiti parliament committee pushes reforms on public debt law**
 - Kuwaiti National Assembly has called on the government to rewrite the public debt law
 - The proposed debt law will allow the government to borrow more and have additional tools at its disposal to finance the budget deficit

Business Outlook...(continued)

- Kuwait's effective oil production cut by 1 million bpd after OPEC production cut agreement
 - OPEC has agreed to reduce oil output by approximately 10% of global supply to support oil prices amid the COVID-19
 - Kuwait will cut production by more than 1 million barrels per day, keeping April 2020 production at about 3.5 million bpd
- KIU promotes industrial sector for industrial development in Kuwait
 - The chairman of Kuwait Industries Union (KIU), has said that the union has submitted proposals to the government of Kuwait, aimed at developing a working mechanism for the industrial sector
 - The proposals call for decreased electricity charges for factories, purchase of locally-made products by the government, and creation of industrial zones

• Kuwait's credit rating by agencies

- Fitch affirms Kuwait's credit rating at "AA" with a "Stable" outlook, key strength is its exceptionally strong fiscal and external balance sheets
- Moody's maintains sovereign credit rating at "Stable" (Aa2) however reviewing for downgrade, due to assess Kuwait's ability to manage budget deficit
- S&P has lowered Kuwait's long-term and local currency credit ratings to "AA-" from "AA", due to concerns over lower oil prices and slow economic reforms with regard to public debt

The agencies showed concerns over the sharp decline in oil prices, as Kuwait's revenue base is highly reliant on oil, as well as its policy response to prevent budget deficit from widening to ~30% of GDP in 2020

Economic Update

- KIU backs Moody's study on Covid-19 affected sectors



Possible Positive Impact

- Internet Providers
- E-Commerce
- Gold Mining

- Kuwait's 2019 Gross Domestic Product (GDP) at USD 130 billion

- The Kuwaiti economy grew 0.4% in 2019 from its 2018 base, with GDP amounting to KWD 39.4 billion (USD 130 billion)
- Contribution of the crude oil and natural gas fell from 53.6% in Q4 2018 to 52.8% in Q4 2019.
- Value addition from crude oil and natural gas increased by 3.2%, amid bullish oil prices and increased production
- The GDP by current rates shrank 3.0% in Q4 2019, compared to its Q4 2018 base

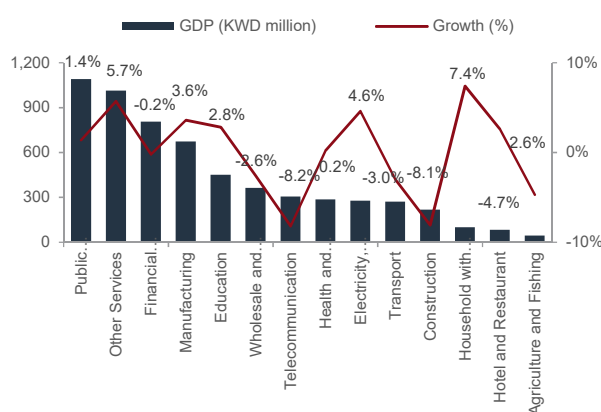


Macroeconomic Update

GDP

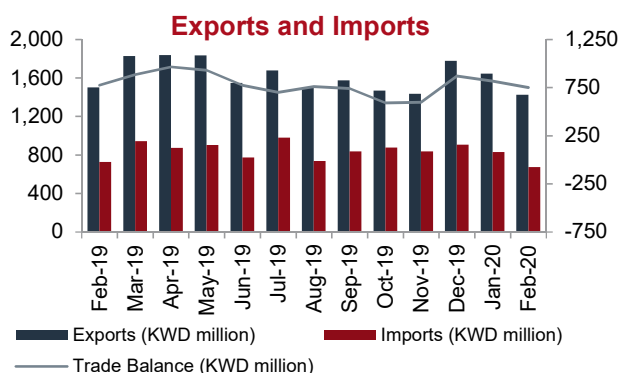
- Kuwait's overall GDP was at KWD 9.9 billion for 4th quarter 2019, a decline of 1.1% compared with 4th quarter 2018
- Oil and Gas GDP declined by 2.6% to KWD 5.3 billion

GDP – 4Q'19 compared with 4Q'18



Exports & Imports

- Kuwait's exports stood at KWD 1.42 billion down 5.1% YoY, and imports stood at KWD 0.67 billion down 5.5% on a YoY basis, as of February 2020
- The balance of trade was KWD 0.75 billion down 4.8% from KWD 0.78 billion in February 2019



Export Oil Prices

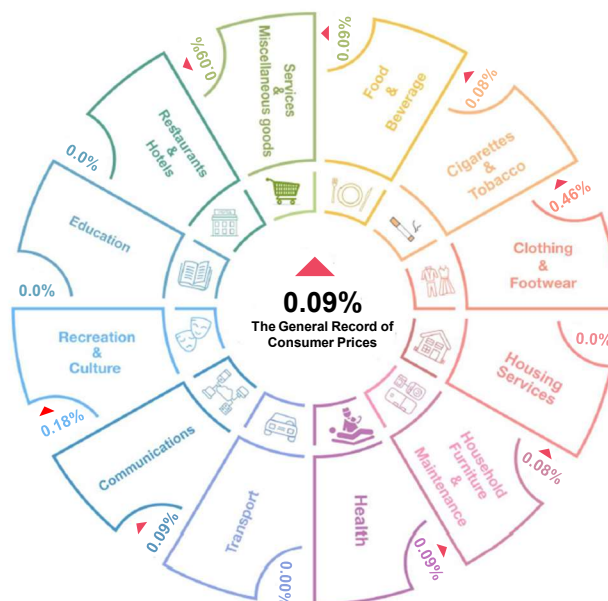
- The OPEC Reference Basket (ORB) dropped by \$21.61, or 38.9%, m-o-m, to stand at \$33.92/b, its lowest monthly value since September 2003
- Oil production of Kuwait was steady during the first quarter of 2020, and averaged 2.72 million bpd. On a monthly basis, Kuwait's average oil production was 2.66 mbpd (Jan'20), 2.67 mbpd (Feb'20) and 2.84 mbpd (Mar'20)

Inflation

- Kuwait's inflation, measured on the basis of consumer price index (CPI), increased 1.67% YoY in February 2020
- The top three segments to witness price hikes were communications (up 3.91%), transport (up 3.80%), and recreation & culture (up 3.20%) on a YoY basis

General record for consumer prices

- In February 2020, Kuwait's CPI increased by 0.09% on a monthly basis to 115.4 (prices had increased in most of the industries that contribute to the CPI index)



Source: Central Statistical Bureau, Kuwait (CSB) and OPEC

Update on Key Projects

Snapshot – Proposed and Concluded Projects

Project Name / Description	Value (USD mln)	Current Status
Infrastructure and Development – Proposed Projects		
1. Comprehensive maintenance of T1 terminal and related services (Tender No 6/2018/2019)	-	General Administration of Civil Aviation floated tender on 26 January 2020; last date 10 May 2020*
2. Shuaiba Port – Development of infrastructure and electricity works (Tender No 11/2018/2019)	-	Kuwait Ports floated tender; last date 7 June 2020
3. South Jahra Labour City project	-	KAPP extends RFP submission date to 15 November 2020
Oil and Gas – Proposed Projects		
4. Consultancy for project engineering and mgmt. services – (Tender No 022/CZ/GS)	-	Kuwait Integrated Petroleum Industries Corp (KIPIC) floated tender; last date: 3 May 2020*
5. Renovation of Ahmadi Domestic & South East Ahmadi Domestic Fuel Gas Manifolds (E, F and V) – KOC (RFP No. 2063914)	-	Revised bid closing date 6 July 2020
6. Supply of rigs for work-over operations (RFP No. 2066003)	-	Kuwait oil company (KOC) announced bid; closing date: 15 June 2020
7. Consultancy for project, design services, project supervision – KOC (RFP No. 2065107)	-	Announced bid on 24 February 2020; closing date: 15 June 2020
Oil and Gas – Concluded Projects		
8. Al-Ahmadi refinery – Three new clean fuel units	-	Commenced operations
Other Sectors – Proposed Projects		
9. Manufacture, supply and installation of secondary transmission 11 / 0.433 stations (Tender No. 20/2018/2019/ (و ك م))	-	Ministry of Electricity and Water floated a tender on 12 January 2020; last date 19 April 2020*
10. Supplying and installing main transfer station in Al-Sabah Hospital (300 KV capacity) (Tender No. 88/2018/2019/ (و ك م))	-	Ministry of Electricity and Water floated a tender on 2 February 2020; last date 21 April 2020*
11. Advisory services for independent water and power producers –KAPP (Tender No. 1/2020-2021)	-	Postponed until further notice
12. Um Al-Hayman Wastewater Expansion Project	-	PPP agreement with Ministry of Public Work
13. Sabah Al-Salem University – Building management and electronic monitoring (KU/KUCP/C1330/18-19)	-	Kuwait University floated tender; last date 10 May 2020*
14. Comprehensive civil and health maintenance work in all colleges and centers of PAAET (Tender no.100/2018/2019/ (ه ع / ش أ م))	-	Public Authority for Applied Education and Training (PAAET) floated a tender; last date 17 May 2020*

***Note: Tender closing/ last dates are mentioned as provided within the source link and documents. There might be chances that the last date for tenders may have been extended, due to all ministerial offices being closed as a part of measures initiated by the Kuwait Government**

Source: Kuwait Authority for Partnership Projects (KAPP), Factiva, Kuwait Oil Company (KOC), Central Agency for Public Tenders Kuwait, Kuwait News Agency, General press search
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 National Petroleum Company (KNPC)

A. Infrastructure and Development Projects

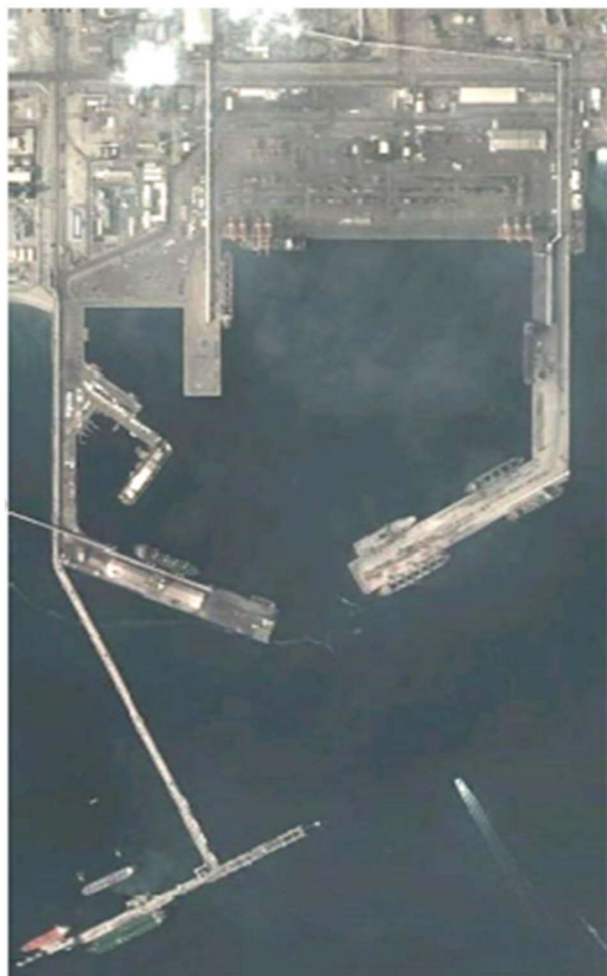
- **General Administration of Civil Aviation Kuwait floats tender**

The General Administration of Civil Aviation has floated a tender for comprehensive maintenance of the T1 terminal and related services. The tendering process will close on 10 May 2020

- **Kuwait Ports Corporation opens tender for modernisation of Shuaiba Port**

Kuwait Ports has offered a tender for a project aimed at modernising and developing infrastructure and electricity works in its Shuaiba Port

Aerial image - Shuaiba Port



- **Kuwait extends bid submission deadline for South Jahra Labour City project to Q4 of 2020**

KAPP announced on Tuesday that it has extended the deadline for the RFP tender for the South Jahra Labour City project to 15 November 2020

In June 2019, KAPP asked pre-qualified companies to submit bids for the project

The labour city project, spread over an area of more than one million square metres in South Jahra

The project will be developed under a build, operate, and transfer (BOT) scheme and accommodate 20,000 expatriate workers

The term of the contract with Kuwait Municipality for the project is expected to be 40 years, and includes a 3-year construction period

Pre-qualified bidders

- National Real Estate Company (NREC)
- Agility Public Warehousing Company K.S.C.P. consortium comprising of National Industries Group (NIG)
- Al-Mazaya Company consortium comprising of Kuwait Investment Company and Tariq Alghanim Ltd.
- China State Construction Engineering Corporation Limited consortium comprising of Fouad Alghanim & Sons and Kuwait Financial Center KPSE (MARKAZ)
- United Real Estate Company

Note: Tender closing/ last dates are mentioned as provided within the source link and documents. There might be chances that the last date for tenders may have been extended, due to all ministerial offices being closed as a part of measures initiated by the Kuwait Government

B. Oil & Gas Projects

- Kuwait's KIPIC pre-qualifies five firms for oil consultancy deal

Kuwait has pre-qualified five international companies to bid for an engineering and management consultancy services contract for one of its oil companies

Pre-qualified firms

- Amec Foster Wheeler Group
- Technip FMC
- Fluor
- KBR
- Worley Europe

The company intends to appoint a contractor who will provide consultancy for project engineering and management services for various projects at Al-Zour Refinery (ZOR), petrochemical complex, LNG import facilities and other facilities belonging to KIPIC

- KOC floats tender for renovation of Ahmadi gas field.

The KOC has invited bids for renovation of the Ahmadi Domestic and South East Ahmadi domestic fuel gas manifolds (E, F and V).

The last date of the bidding process is 8 June 2020

The following are the bidders:

Bidders

- Al-Magwa Engineering & Contracting Co
- KDDB General Trading and Contracting Co.
- Mechanical Engineering & Contracting Co.
- Al-meer Technical Services Co.

Bidders (Con'd)

- Al Sager General Trading And Contracting Co.
- Bader Al Mulla & Brothers Co.
- Larsen And Toubro Kuwait Construction
- Integral Services Company For Mechanical Contracting & Instrumentation
- Rakaz National General T&C Co.
- Hot Engineering and Construction Co.
- KCC Engineering & Contracting Co.
- Khalil Bahman & Partners General T&C Co.
- Alkhorayef Co.
- National Contracting Co.
- IMCO Engineering and Construction Co.
- Mark Technologies Co.
- Gas & Oilfield Services Co.
- Al-Jazirah Industrial Projects
- Sayed Hamid Behbehani & Sons
- Al-Ghanim International General Trading
- O & G Engineering
- Gulf International General Trading & Contracting Co.
- Naser M. Al-baddah & Partner
- Heavy Engineering Industries & Shipbuilding
- Ahmadiyah Contracting & Trading Co.
- Gulf Spic General Trading & Contracting
- ACME International General T&C
- Al Kulaib International Trading Co.
- Al-Marwad International Gen T&C Co

Note: Tender closing/ last dates are mentioned as provided within the source link and documents. There might be chances that the last date for tenders may have been extended, due to all ministerial offices being closed as a part of measures initiated by the Kuwait Government

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

- **KOC floats RFP for rigs**

The KOC has invited bids for the supply of rigs for its work-over operations

The following are the bidders:

Bidders

- National Drilling & Services Co.
- HelMerich & Payne International Drilling
- MB Petroleum Services LLC
- KCA Deutag Drilling GmbH
- Ensign International Energy Services Pty Ltd.
- Dalma Energy & Co.
- Grey Wolf Drilling International Ltd.
- Petreven SPA
- Burgan Co for Well Drilling Trdg & Maint KSCC
- Pr Marriott Drilling Ltd.
- Abraj Energy Services SAOC
- Crosco Integrated Drilling & Well Services Company Ltd.
- Joint Stock Company Siberian Services Co.
- Patterson-Uti Drilling Company LLC
- Trinidad Drilling LP.
- Societe De Maintenance Petroliere
- Dasco Petroleum Services
- Sino Tharwa Drilling Co.
- Kuwait Drilling Co.
- Saipem S.P.A.
- Schlumberger Oilfield Eastern LTD
- United Precision Drilling Co.
- PNG Drilling Co. Ltd.
- Eriell GmbH
- Egyptian Drilling Co.
- Nabors Drilling International Ltd
- Sinopec International Petroleum Service Corp.

- **KOC floats RFP for project consultancy, design services and supervision**

The KOC invited bids for project management, design and related services for Mumarasa on 10 March 2020; the bid closing date is 11 May 2020

The following are the bidders:

Bidders

- KEO International Consultants
- Dar Taher Consultant Engineering Center
- Dar SQC International Consultants
- United Engineering And Technical Consultants
- Al-habshi Engineering Consultants Office
- Soor Engineering Bureau
- Dar SSH International Engineering Consultants
- Dar Al-Jazera Consultants
- Kuwait Technical Consulting Bureau
- Pan Arab Consulting Engineers

- **KNPC begins operating three new clean fuel units at Al-Ahmadi refinery**

- The Kuwait National Petroleum Company (KNPC) has announced the operation of three new clean fuel producing units at the Al-Ahmadi Refinery
- KNPC said that sulfur block unit No. 141 (production capacity of 50,000 barrels per day) and sulfur extraction units No. 151 and 152 have entered the operation phase
- The units are highly profitable and produce ultra-low sulfur products that comply with international environment protection standards

Note: Tender closing/ last dates are mentioned as provided within the source link and documents. There might be chances that the last date for tenders may have been extended, due to all ministerial offices being closed as a part of measures initiated by the Kuwait Government

C. Other Projects

- Ministry of Electricity and Water (MEW) introduces tender for secondary supply station

The MEW offered a tender on 12 January 2020 for the manufacture, supply and installation of 11 / 0.433 KV secondary transmission stations.

The last date of the tendering process was 19 April 2020, which is extended until next update due to the lockdown following the COVID-19 outbreak

- MEW floats tender for installation of transfer station at Al-Sabah Hospital

The MEW released a tender on 2 February 2020 for the supply and installation of a 300KV main transfer station in Al-Sabah Hospital (W).

The last date for responding to the tender was 21 April 2020, which is extended until next update due to the lockdown following the COVID-19 outbreak

- KAPP announces postponement of tender due to COVID-19 triggered lockdown

A tender published on 15 March 2020, for advisory services of the independent water and power producers of Kuwait, has been postponed until further notice due to the extended cessation of work across governmental entities

- KAPP announces public private-partnership for Um Al-Hayman Waste water project

The Um Al-Hayman Wastewater Company and the Ministry of Public Works has signed a public-private partnership agreement to carry out the expansion of the project and complementary work.

The company's shareholders are Kuwait authority of partnership projects on behalf of the Kuwaiti citizens, the Kuwait investment authority and the investors' consortium composed of WTE and IFA

- Kuwait University opens tender for building management of its Sabah Al-Salem University

Kuwait University has offered a tender for a project aimed at supply, installation, operation and maintenance of service devices.

The tender requires expertise on building management, electronic monitoring, parking management system and smart transportation to link them to the control center of Sabah Al-Salem University City

Last date of tendering process is 10 May 2020 however it is likely to be extended due to Covid-19 impact on business.

- Public Authority for Applied Education and Training (PAAET) of Kuwait floats a tender for maintenance work

Kuwait's PAAET has offered a tender for comprehensive civil and health maintenance work in all colleges and centers of the PAAET second region

Last date of the tendering process is likely to be changed, as of now it is 17 May 2020, the tender was floated on 16 February 2020



Note: Tender closing/ last dates are mentioned as provided within the source link and documents. There might be chances that the last date for tenders may have been extended, due to all ministerial offices being closed as a part of measures initiated by the Kuwait Government

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