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Middle East business intelligence

MIDDLE EAST BUSINESS OUTLOOK 2022

The outlook for business in the Middle East
after Al Ula and the Abraham Accords

Presentation to 10th Austria Connect Gulf 2021
18 November 2021

Richard Thompson
Editorial Director
MEED



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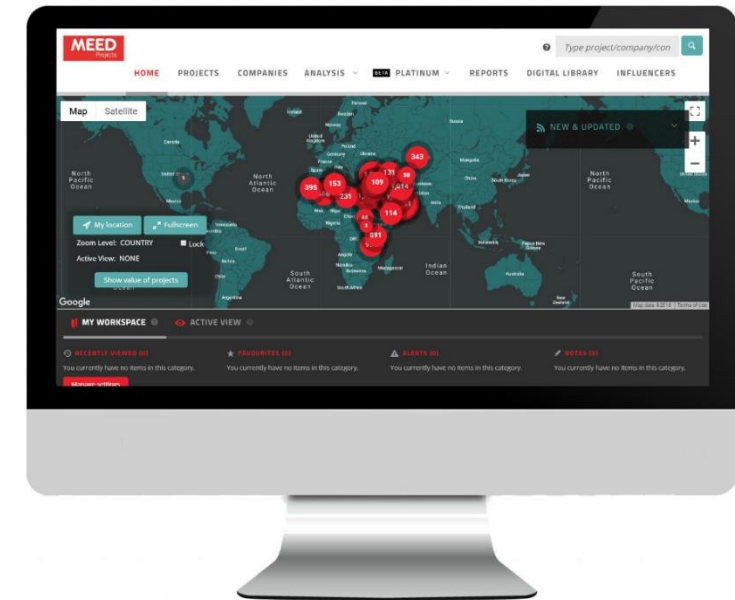
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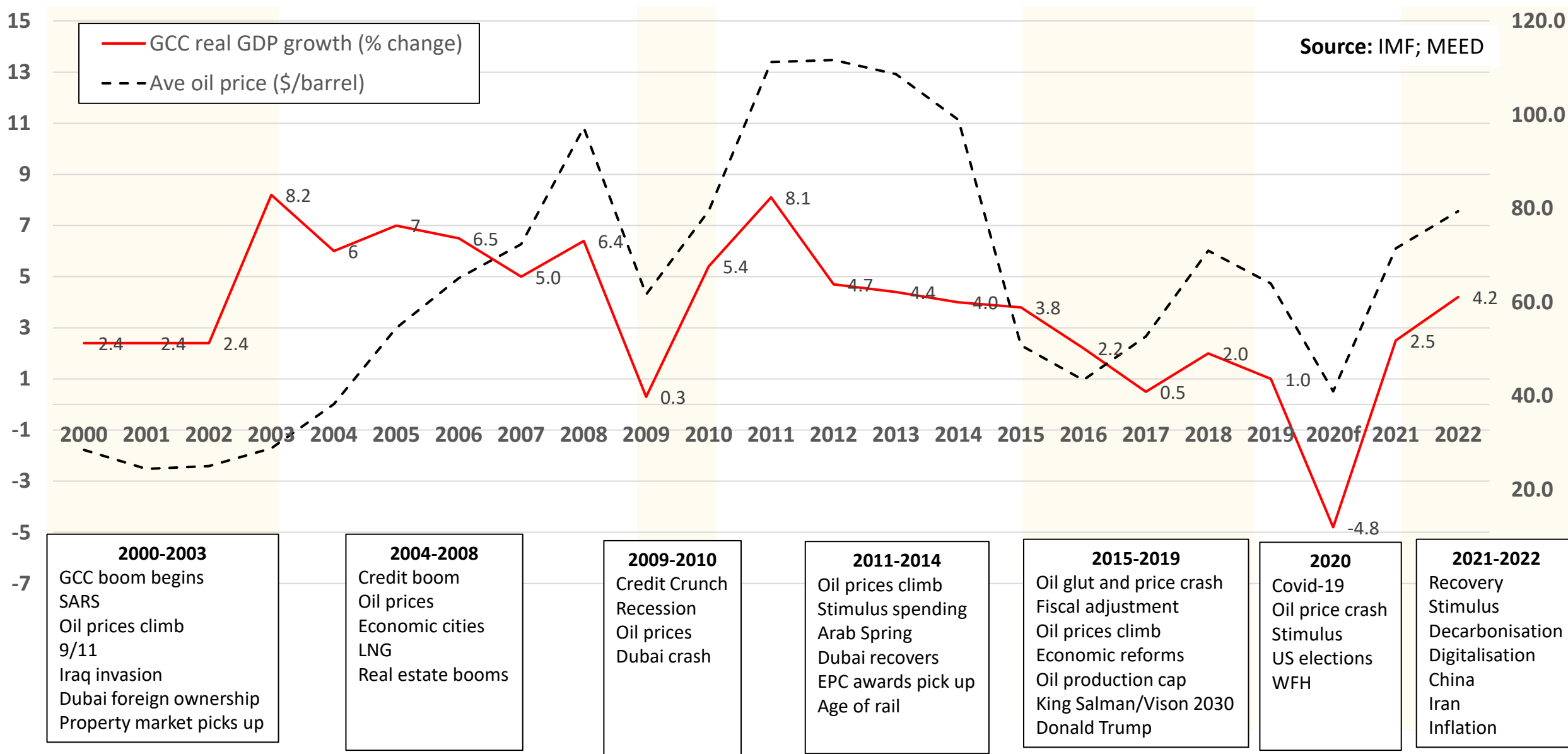


Saudi real estate draws international interest

OIL PRICES

US POLICY

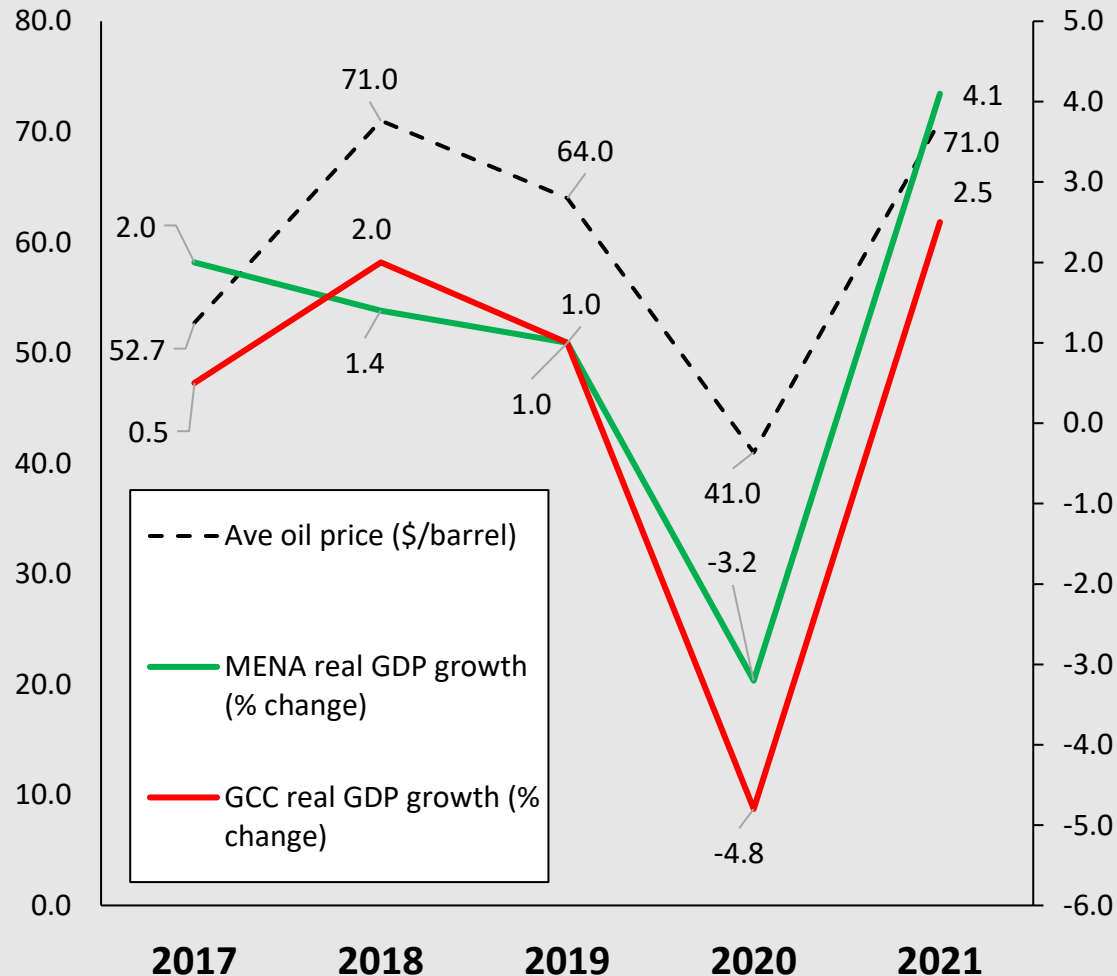
COVID-19



UAE has highest rate of testing, followed by Oman and Qatar

Covid-19 in the Middle East and North Africa						
Country	Total cases	Total deaths	Cases/ 1m popn	Deaths/ 1m popn	Tests/ 1m popn	Population
Mena	14,815,082	266,459	933,971	11,014	24,962,909	428,367,411
Iran	6,037,718	128,167	70,647	1,500	433,390	85,463,450
Iraq	2,069,247	23,503	49,915	567	387,075	41,455,535
Morocco	948,226	14,743	25,280	393	273,592	37,509,040
Jordan	892,123	11,238	86,264	1,087	1,108,905	10,341,727
UAE	741,006	2,144	73,704	213	9,673,755	10,053,867
Tunisia	715,687	25,311	59,701	2,111	260,409	11,987,818
Lebanon	652,735	8,582	96,223	1,265	704,684	6,783,574
Saudi Arabia	549,222	8,813	15,447	248	866,249	35,555,215
Kuwait	413,008	2,462	94,793	565	1,161,828	4,356,938
Libya	365,237	5,307	52,184	758	264,354	6,999,085
Egypt	343,961	19,499	3,277	186	35,184	104,972,431
Oman	304,437	4,113	57,615	778	4,731,284	5,283,978
Bahrain	277,223	1,393	155,547	782	4,007,283	1,782,242
Qatar	241,089	611	85,864	218	1,035,417	2,807,805
Algeria	207,970	5,984	4,628	133	5,138	44,933,415
Syria	46,275	2,666	2,559	147	5,728	18,081,291
Yemen	9,918	1,923	323	63	8,634	30,723,40
Source: MEED; Worldometers; as of 15 November 2021						

Impact of Covid-19 on oil prices and real GDP growth in the Middle East in 2020 (% change)



Source: IMF, Regional Economic Outlook, Oct 2021

The economic impact has been catastrophic

Lockdowns severely disrupted economic activity

Pandemic caused an average 4.8 per cent decline in GDP in the GCC

Collapse in oil demand hit national revenue streams

Spending cuts.

Stimulus spending and monetary easing have provided the liquidity needed to keep economies moving and companies solvent

Heavy price to pay for these fiscal support measures

Fiscal deficits in the GCC have risen to 9.2 per cent of GDP in 2020 from 1.9 per cent of GDP in 2019

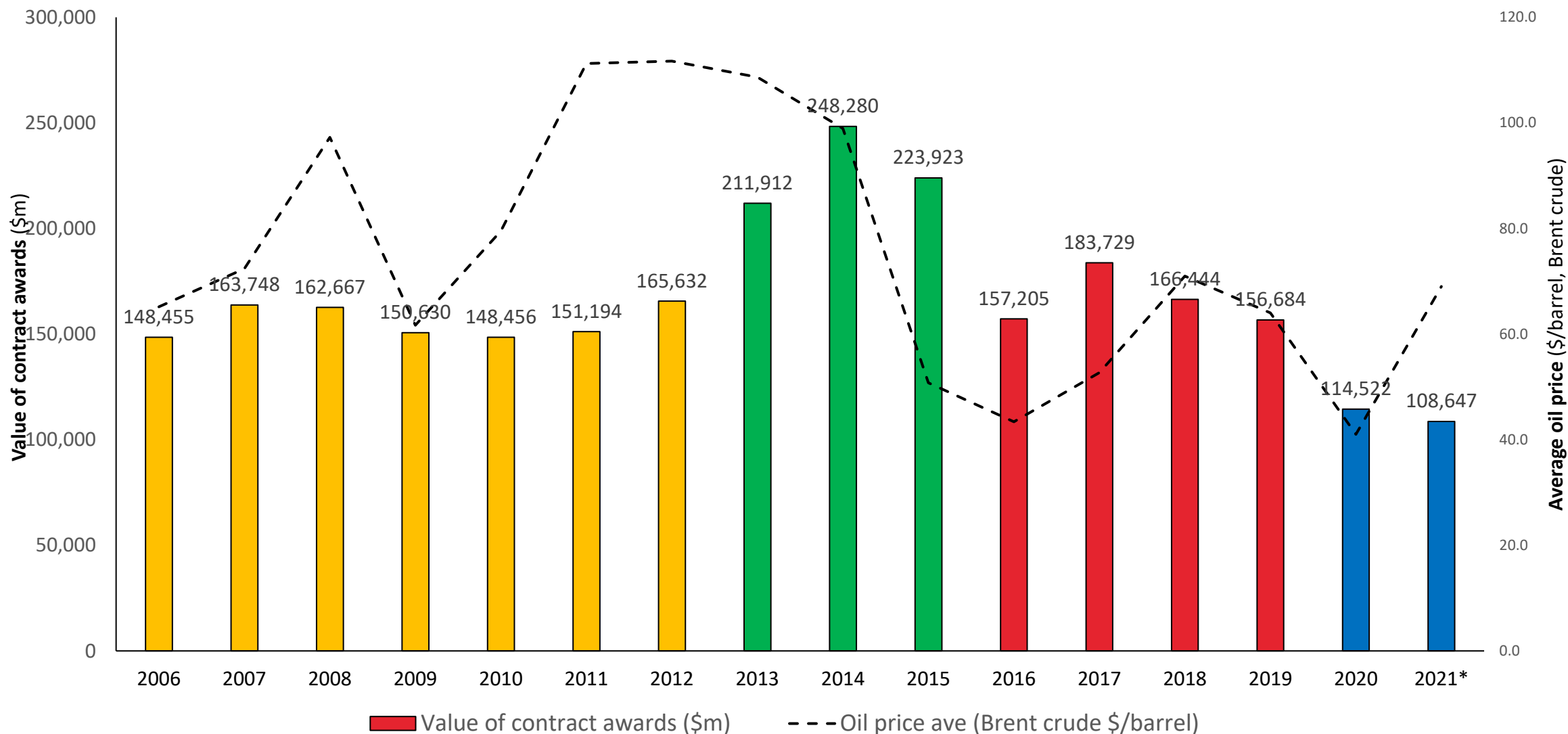
Sovereign debt in the region has risen to an average of about 29 per cent of GDP

Foreign and private investment is essential for growth and creating jobs

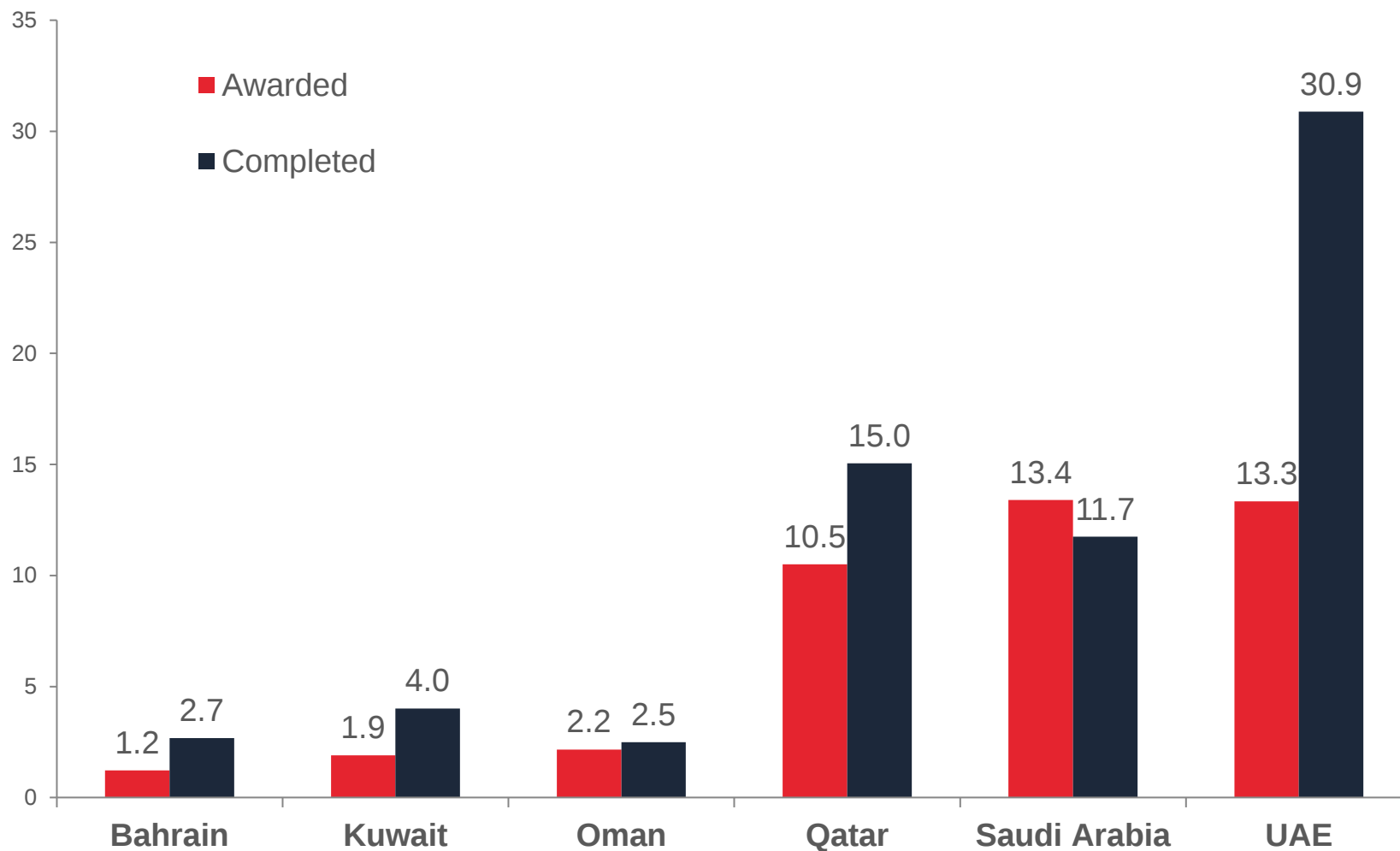
Economic Commission for West Asia estimates that Arab region lost 45 per cent of FDI inflows in 2020, accelerating a long-term theme of lower inward investment

Pandemic caused an average 4.8 per cent decline in GDP in the GCC

Value of project contract awards in the Middle East and North Africa v oil price, 2006-2021 (\$m)



Value of projects awarded and completed by country (\$bn), 2020



Source: MEED

2020 fall in awards comes as a large number of project completions

As a result, construction activity slowed

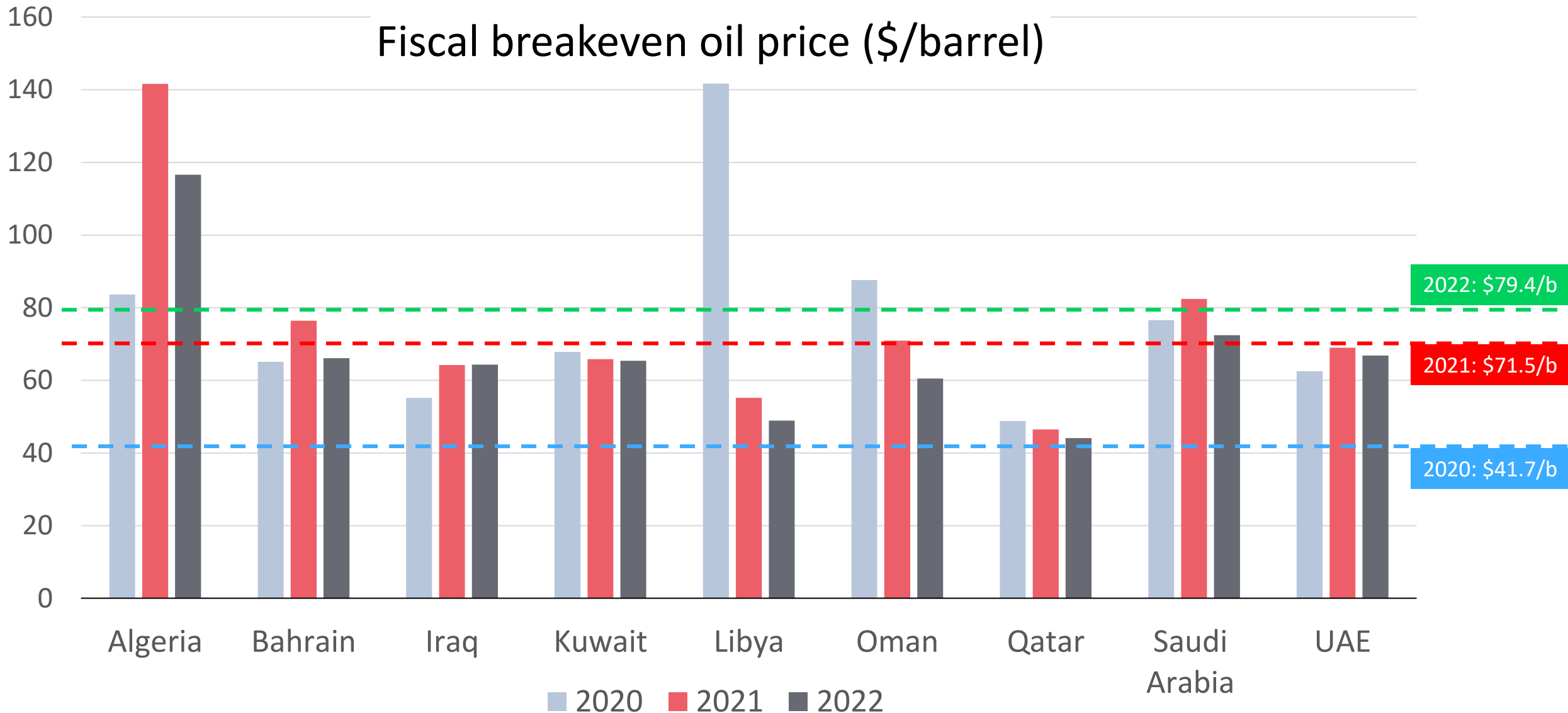
-\$24.3bn net loss in the value of GCC construction contracts in execution

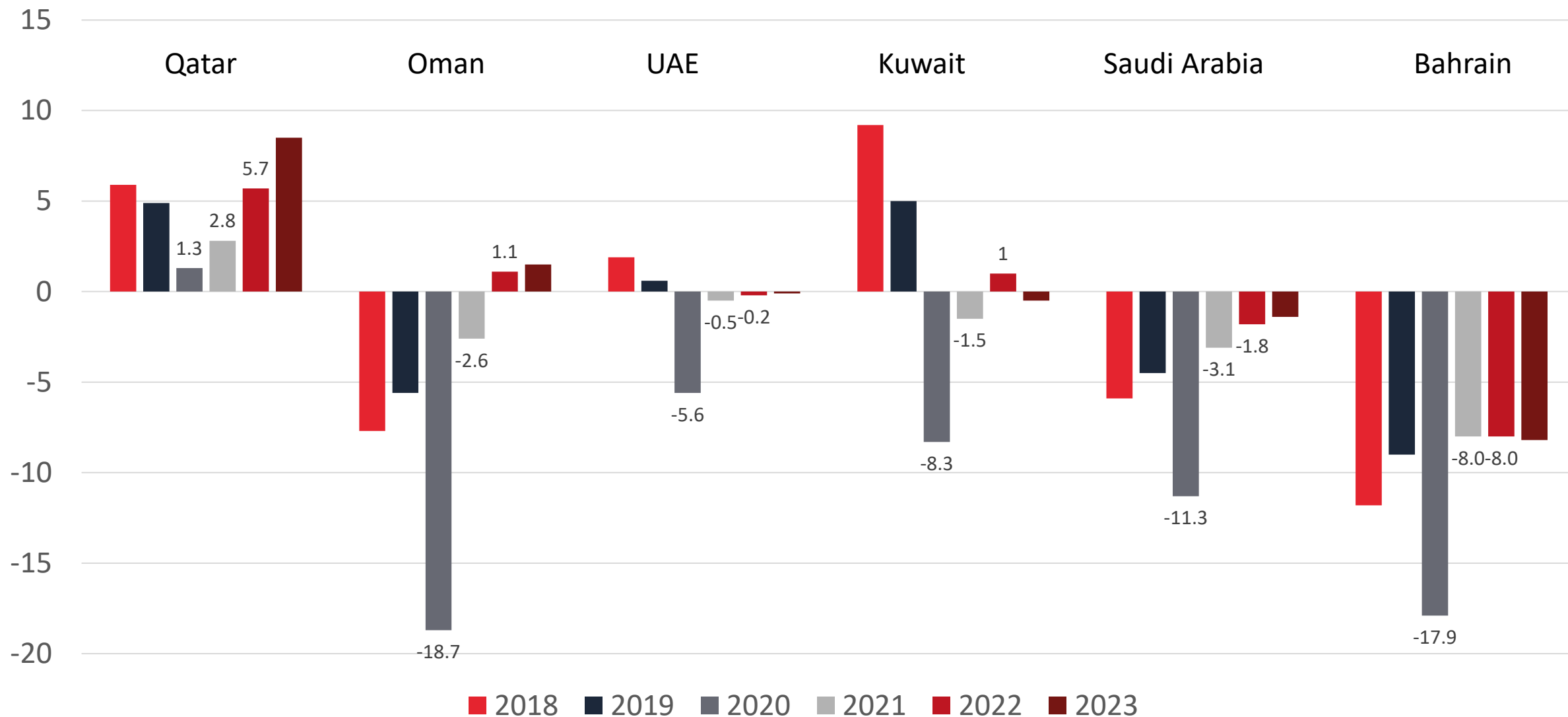
A -\$32bn decline in activity in 2019

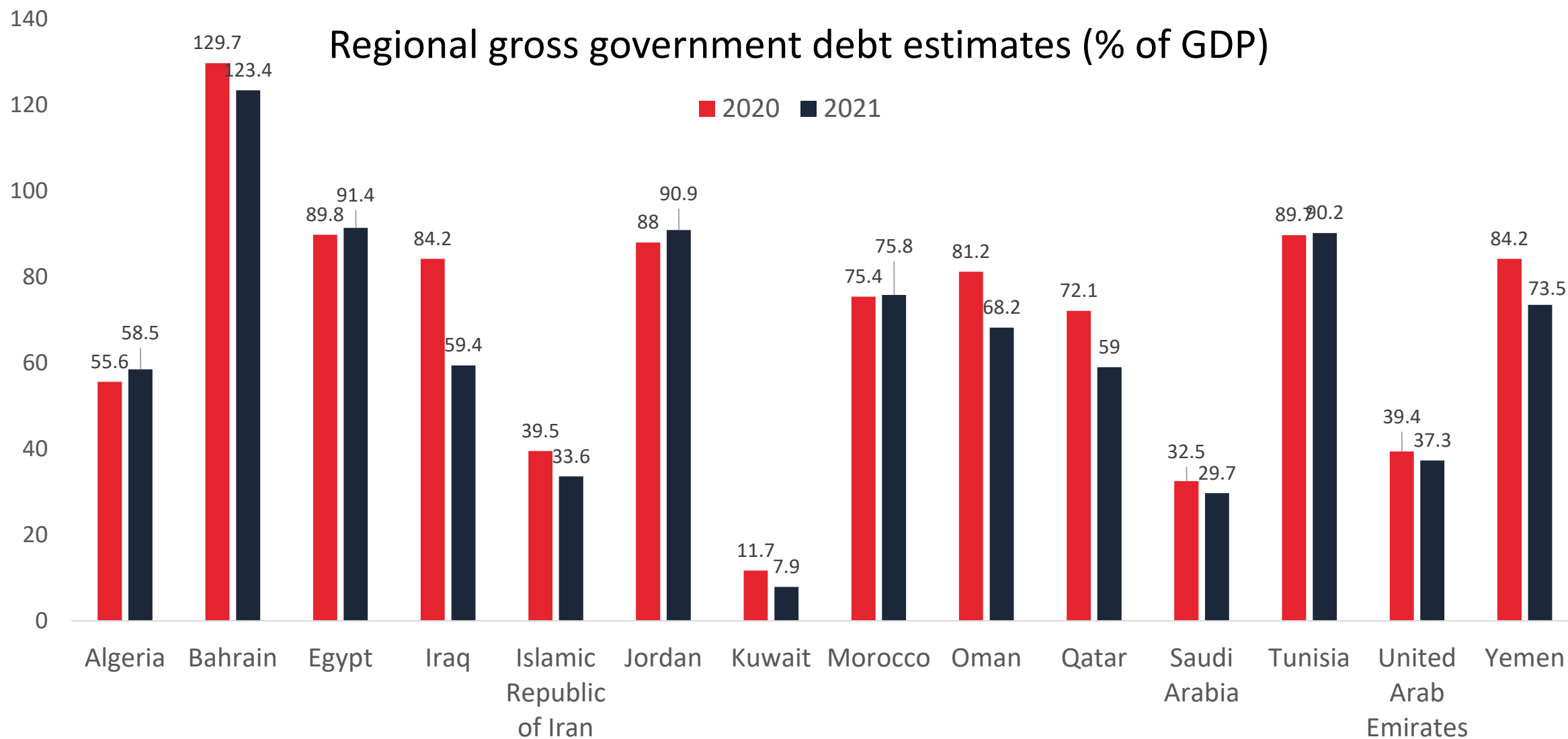
Construction output in 2020:

- Saudi Arabia down -1.9 per cent
- UAE down -4.8 per cent
- Qatar down -4.5 per cent
- Kuwait down -9.5 per cent
- Oman down -10.3 per cent









Global

- GDP shrunk by -3.3 per cent in 2020
- Expected to recover in 2021 to real growth of 6 per cent
- 4.4 per cent in 2022

Mena

- Up from a -3.4 contraction in 2020
- Real GDP growth forecast at 4.1 per cent in 2021
- Growth to accelerate further to 4.1 per cent in 2022
- GDP growth in 2022 will be supported by robust private consumption and investment growth, as movement restrictions ease and vaccinations advance

GCC

- Inoculation programmes supported recovery
- Real GDP growth in the range of 2.5 per cent in 2021
- GCC economy project recovered to 2019 level (\$1,674bn)

Real GDP growth in the Middle East and North Africa (Mena)					
	2022	2021	2020	2019	2018
Algeria	1.9	3.4	-6.0	0.8	1.2
Bahrain	3.1	2.4	-5.4	2.0	1.7
Egypt	6.5	4.5	3.6	5.6	5.3
Iran	2.5	2.0	1.5	-6.8	-6.0
Iraq	10.5	3.6	-10.9	4.5	0.8
Jordan	2.7	2.0	-2.0	2.0	1.9
Kuwait	4.3	0.9	-8.1	0.4	1.2
Lebanon	...	...	-25.0	-6.7	-1.9
Libya	5.3	123.2	-59.7	13.2	17.9
Morocco	3.1	5.7	-7.0	2.5	3.1
Oman	2.9	2.5	-6.4	-0.8	0.9
Qatar ¹	4.0	1.9	-2.6	0.8	1.2
Saudi Arabia	4.8	2.8	-4.1	0.3	2.4
Tunisia	3.3	3.0	-8.8	1.0	2.7
UAE	3.0	2.2	-5.9	1.7	1.2
West Bank and Gaza	6.0	4.4	-11.0	1.4	1.2
Yemen	1.0	-2.0	-5.0	2.1	0.8
MENA	4.1	4.1	-3.2	0.8	1.2
MENA oil exporters	4.0	4.6	-4.3	-0.3	0.3
MENA oil importers	4.3	3.0	-0.6	3.3	3.5
GCC	4.2	2.5	-4.8	1.0	2.0
North Africa	4.4	7.3	-1.8	3.7	3.9

Source: IMF, Regional Economic Outlook, Oct 2021



Region is sharply divided

Creeping unemployment figures in almost all countries, including Gulf states

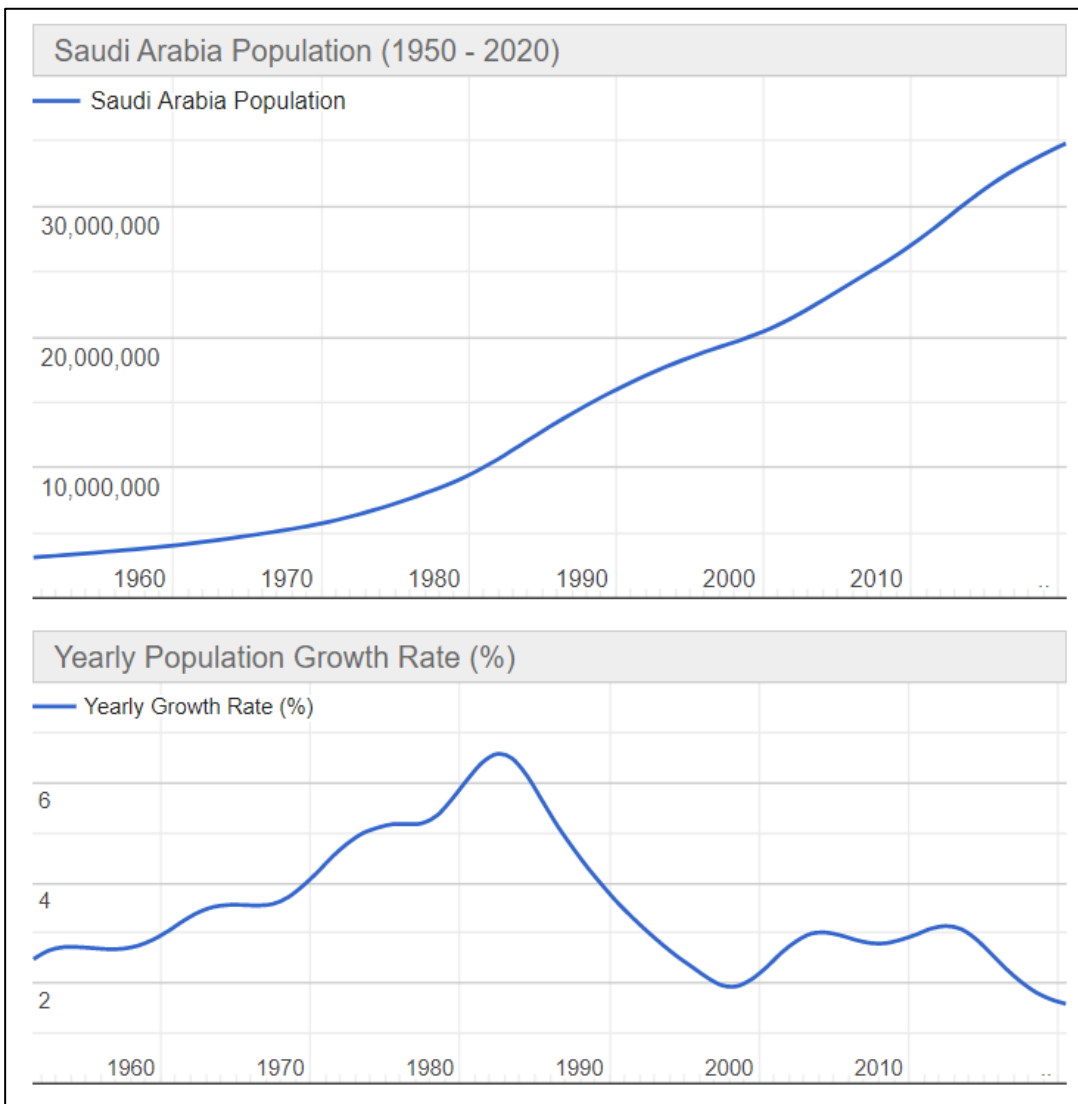
Rising number of downgrades of regional sovereign ratings by global credit agencies.

Qatar has the highest rating on MEED's Covid-19 economic recovery index. Healthy overall financial position as the sole GCC member state that derives its hydrocarbon-based revenue primarily from natural gas, not oil.

UAE has the highest sovereign credit rating in the region and has made by far the most progress on Covid-19 vaccination. Main caveat is the current weakness in projects market activity

Saudi Arabia has been sustained by a rise in domestic spending by Saudi citizens, who typically spend an estimated \$18bn on travel, tourism and retail overseas annually. While there has not yet been a significant uptick in project activity associated with the megaprojects, rising oil price supports capital spending plans

Egypt's Covid-19 testing and vaccination efforts have been weak. However, the country has continued to see real GDP growth throughout the pandemic and has maintained healthy levels of project spending.



Source: Worldometer

Population growth is biggest long-term challenge

Saudi, risen from 4.1m people in 1960, to 34.8m at the end of 2020

Growth rate has slowed to under 3% a year

Youth bulge with 40% under the age of 24 and 25% under 15

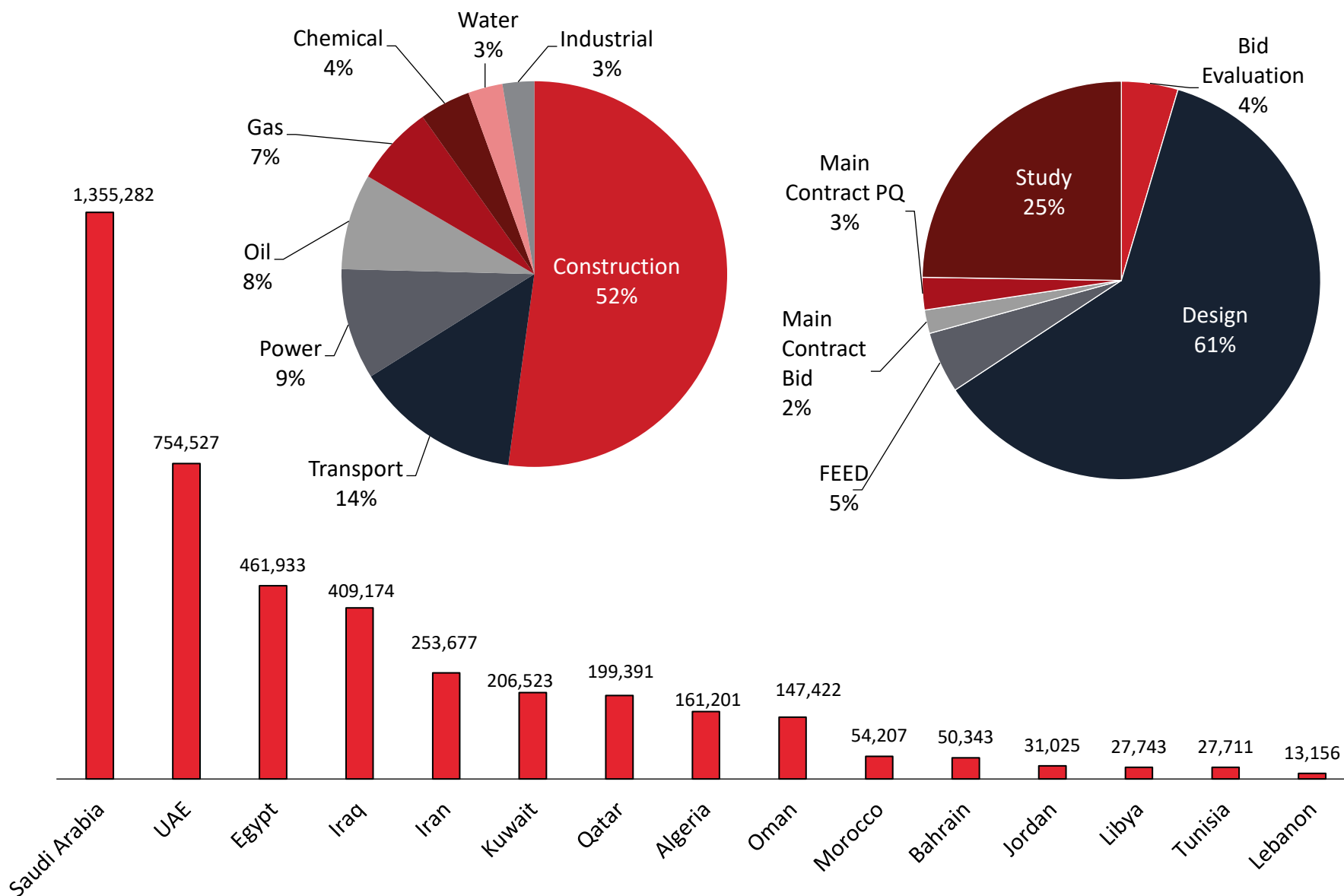
Governments must provide jobs, public services, food and water, electricity, and security

New expectations shaped by a tech-led global trends

Government must adjust an increasingly urbanised population.

82.1 per cent of Saudi Arabia's inhabitants live in cities

This is expected to reach over 97 per cent by 2030



\$4.1tn of major projects are planned or underway across Mena region

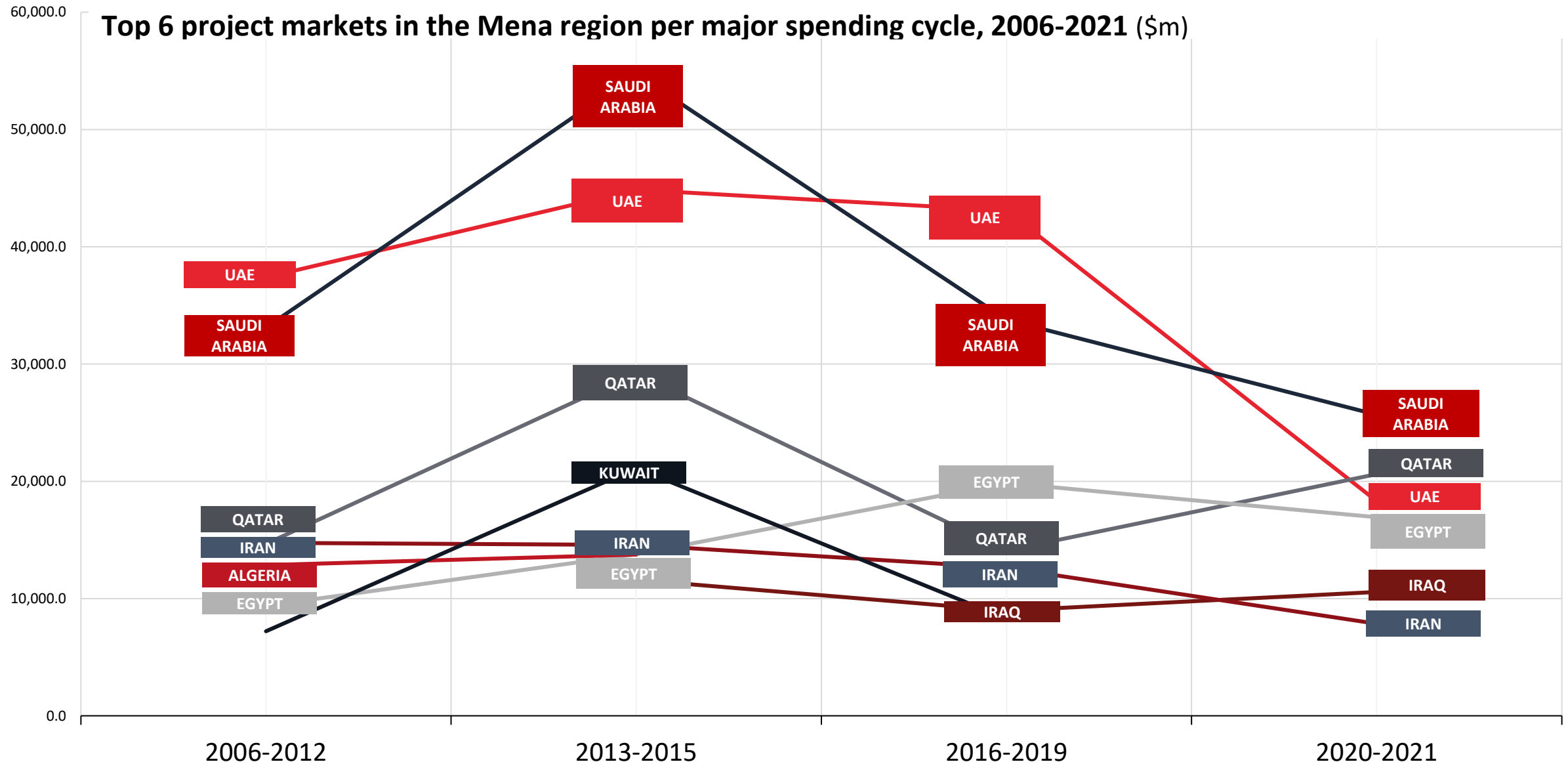
65 per cent in the GCC

Construction is the biggest segment with \$2.1tn of projects

Transport has \$503.5bn of projects

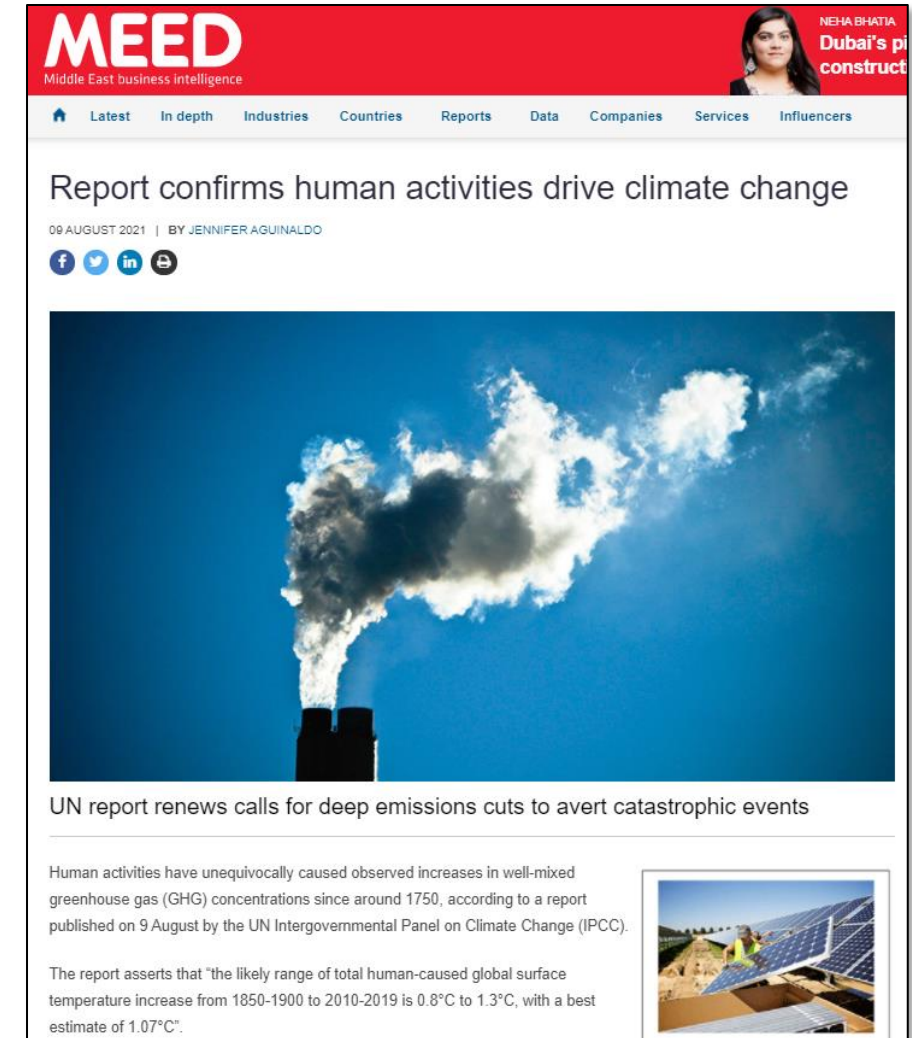
\$790.7bn-worth of oil and gas projects planned or underway

About \$3.27tn of projects in planning and pre-execution across the Mena region



- Shift away from fossil fuels as primary energy source
- Action against climate change
- Decarbonising economy without restricting growth
- Energy security and energy diversification
- Conserving energy
- COP 26-28
- ESG is priority
- Rising costs of accessing hydrocarbons

9 AUGUST 2021



Past energy policy priorities:

- Increasing oil & gas production to meet domestic energy needs
- Maximising income from oil, gas and petrochemicals exports
- Installing adequate water and electricity production and distribution capacity to meet domestic needs with a comfortable reserve margin
- For Saudi Arabia, reducing energy market volatility by managing oil output
- Ensuring security through US relations

Energy transition means new energy policy priorities:

- Diversifying energy sources
- Conserving hydrocarbons reserves
- Reducing GHG emissions through clean tech and reduced consumption
- Influencing global energy sector through investment and policy
- Changing geopolitical relations – China, Russia, Israel
- Increased engagement with China as client, supplier, trade partner and financier

UAE and Saudi Arabia want to move from suppliers of oil to leaders in energy

UAE to host the 2023 UN Climate Change Conference (Cop 28).

Egypt to host Cop 27

Both announced net zero CO2 emissions targets

UAE to be net-zero by 2050

2050 energy strategy aims to cut power generation carbon footprint by 70%

Saudi Arabia and Aramco target to reach net-zero by 2060 and 2050

They have pledged to cut methane emissions by 30 per cent by 2030

Saudi Arabia and the UAE together committed to invest a total of \$340bn in their net-zero plans

Most allocated to developing renewable energy, carbon capture, utilisation and storage projects, energy storage and clean hydrogen

Significant investment is likely to be allocated to smartifying or digitalising electricity grids, buildings and entire communities

Most countries have set ambitious clean energy targets.

Progress has been unequal.

Jordan and Morocco have more than 20% of installed capacity in 2021

In Qatar, Kuwait, Oman and Saudi Arabia, renewables are 1% or less of energy mix.

Oil-exporting countries will also be pushed to climate action by importing countries and investors

For oil-importing economies, the ability to strengthen institutions, reform and attract investments will be pillars in energy diversification and meeting the pledged targets

RENEWABLE ENERGY TARGETS BY COUNTRY

Country	Renewable energy*	Variable renewable energy*	Total installed or available capacity (MW)	Renewable energy target**
Algeria	3.1	2.1	22,000	27% by 2030
Bahrain	0.3	0.3	3,921	10% by 2035
Egypt	10.1	5.2	59,500	42% by 2035
Iran	15.0	0.8	86,000	12% by 2030
Iraq	22.0	1.9	11,300	25% by 2030
Jordan	35.7	35.2	5,326	30% by 2030
Kuwait	0.6	0.5	17,500	15% by 2030
Lebanon	14.1	3.3	2,334	30% by 2030
Morocco	32.5	20.2	10,592	52% by 2030
Oman	1.4	1.0	11,544	16% by 2025
Qatar	0.8	0.1	5,432	20% by 2030
Saudi Arabia	0.5	0.5	85,190	50% by 2030
Tunisia	6.5	5.5	6,147	30% by 2030
UAE	6.4	6.4	40,200	50% by 2050

*=As a percentage of total installed power generation capacity; **=As a percentage of electricity production energy mix. Sources: Irena, MEED, government agencies

Utilities must adapt to new technologies and other changes

- Batteries and storage technologies
- Smart grids
- Off-grid generation and rooftop solar
- Increasing risk of cyberattacks due to digitalisation
- Carbon capture utilisation and storage (CCUS)
- Biowaste
- Green hydrogen projects
- Several markets have advanced green building standards
- Electric vehicle adoption as part of smart city initiatives



Hydrogen projects and agreements			
	Project	Client	Status
Egypt	Egypt green hydrogen pilot	Min of Elec & Renewable Energy, Siemens	Study
Egypt	Dakahlia ammonia plant	Delta Co	Contract PQ
Egypt	Deme green hydrogen plant	Min of Elec, Min of Oil & Mineral Resources, Navy	Study
Oman	PDO Block 6 green hydrogen plant	PDO	Study
Oman	Hyport Duqm	Deme Concessions, OQ	Design
Oman	Oman Green Fuels project (25GW)	OQ, InterContinental, EnerTech	Study
Oman	Sohar port green hydrogen hub	Sohar Port, Rotterdam port	Study
Oman	Acme Sezad green ammonia plant	Acme Group	Study
Oman	Ara Petroleum blue hydrogen project	Sumitomo, Ara Petroleum	Study
Saudi	Neom Green Helios Fuels project	Acwa Power, Neom, Air Products	Design
Saudi	Aramco / Hyundai Oilbank / HHI blue hydrogen	Saudi Aramco	Study
UAE	Dubai clean hydrogen plant at MBR solar park	Dubai Expo 2020, Dewa, Siemens	Execution
UAE	Mubadala / Snam green hydrogen projects	Mubadala / Snam	Study
UAE	Adnoc / GS Energy blue hydrogen	Adnoc	Study
Source: MEED			

Hydrogen is emerging as an important element in the energy landscape.

The use of hydrogen in electricity generation emits only water vapour and no carbon dioxide.

Moreover, it can help decarbonise traditional gas-fired power plants, by burning hydrogen mixed with gas with minimal modifications needed to existing turbines.

The hype surrounding hydrogen, and in particular green hydrogen, has become increasingly hard to ignore and the opportunity to pivot to green hydrogen is particularly strong in the Mena region.



- Global demand for oil to decline in the long term
- No consensus on when peak demand – Peak Oil - will occur
- Demand for natural gas will continue to rise
- Low production costs means region well positioned to continue investment in oil and gas projects
- NOCs are adapting to changing energy markets
- Exploring avenues to adapt to global energy transition
- Diversification, renewables, and clean tech
- Capital raise through shares, bonds, and stakes in assets
- NOC responses to the period of low oil prices has varied
- Adnoc, Aramco and QP used slump global activity to spend extensively and secure lower prices from contractors



Saudi Aramco	Abu Dhabi National Oil Co.	Kuwait Petroleum Corp.	Qatar Petroleum	OQ
				
- Continued spending - Focus on upstream oil - Diversification: - Renewables - energy storage - carbon capture - hydrogen - Plans for 'world-scale' H2 business by 2030 - Selling stakes to finance projects and diversify income \$500m clean energy fund	- Expects oil demand - Counter cycle investment - Monetising assets to fund strategic projects - Increasing oil output capacity to 5mbd by 2030, from 4mbd - Plans to invest \$122bn on projects from 2021-25 - Lower GHG emissions by 25 per cent by 2030 - Adopted sustainability goals to be a low-carbon intensive company	- Budget cuts and political turmoil hampering action - In Aug 2020, cut oil spending by \$2.3bn for 2020/21 - Failed to monetise assets - Delays to projects - Struggled to progress on strategy to reduce its carbon footprint	- Benefit from gas focus - Demand for gas to grow - Investments in gas - In Feb, Qatargas awarded \$13bn contract for North Field Expansion ph I to Chiyoda/Technip - GHG emissions targets - Capture 7mt/year of CO2 from operations by 2030 - Cut emissions from LNG facilities by 25% - Cut upstream emissions by 15% - Cut flaring by 75%	- In 2019, state h-carbons companies merged to OQ - Invest in e&p, power gen, energy transport, oil refining, and petrochems - Coordination of O&G and renewables projects - Renewables to replace 40% of OQ's 3GW power - Wind and solar at sites - Diversification: - Green ammonia - Green methanol - Green steel - Blue hydrogen - With Enertech and ICE for green ammonia

- Region wants to lead energy transition
- Governments/investors want clean energy solutions. It is good for ESG. Good for net zero
- Green finance can reduce costs
- Changes investment priorities – new projects – renewables, green hydrogen
- Changing scope of projects for output products and energy consumption
- Tracking carbon footprint
- Changes the design scope requirements for projects – green buildings, new design standards, consumer demand
- Affects supplier requirements – tracking carbon footprint

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INDRAJIT SEN
Adnoc gain awards

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Saudi privatisation law to take effect in July

18 MARCH 2021 | BY JENNIFER AGUINALDO

f t in e



Law provides a mechanism for the Finance Ministry to support projects

Private sector participation law came into effect in July

Law provides a mechanism for Min of Fin to support projects

The draft law of 2018 set out principles governing PSP including transparency, contract enforcement and planning

The law defines parameters for the powers and functions of various agencies, including the Council of Economic & Development Affairs (Ceda) and NCP

The law is expected to unlock SR35bn-SR40bn (\$9.3bn-\$10.7bn) from selling government assets

Hopes to create 10,000-12,000 new private sector jobs



Stimulus support in the post-pandemic economy is already fuelling concerns of inflationary trends emerging in the next 12 to 18 months.

For the construction industry, this could lead to frequent fluctuations, if not significant hikes, in material prices.

In turn, these changes could increase the chances of claims, disputes and delays arising on newly awarded construction projects.

Amid such indeterminable market conditions, it is understandable that some risk-averse clients, particularly in the private sector, are reviewing the feasibility of their planned project spending, even as the long-term outlook for the Saudi real estate market remains positive.

What will be the impact on project launches or tendering activity

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September award for UAE data centre contract

01 SEPTEMBER 2021 | BY JENNIFER AGUINALDO

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Remote working and online services growth prompt robust digital infrastructure

Middle East is seeing an increase in investment in data infrastructure

Mena had about 2 per cent of data centre investments in 2020 but growing

More than \$1bn-worth of data centre projects are planned in the region

AI initiatives, including Saudi Arabia's \$20bn AI investment plan by 2030, obliges data centre and cloud technology providers to build centres in region

Riyadh plans to invest up to \$18bn by 2030 to develop data centre network

Targeting investment in cloud services, gaming, video streaming and content

Data sovereignty regulations also incentivises decisions to set up data centre

Saudi data centre load requirement in 5 years to reach 360MW, from 60MW

Dubai, Abu Dhabi and Bahrain have completed or awarded data centre deals

UAE is emerging among world's most desirable locations for data centre - GDP/capita, electricity price, energy security and mobile broadband

\$500m-worth of data centre projects are under construction in the UAE,

Cooling requirements make them a major source of GHG, so "Green" data centres will be a priority

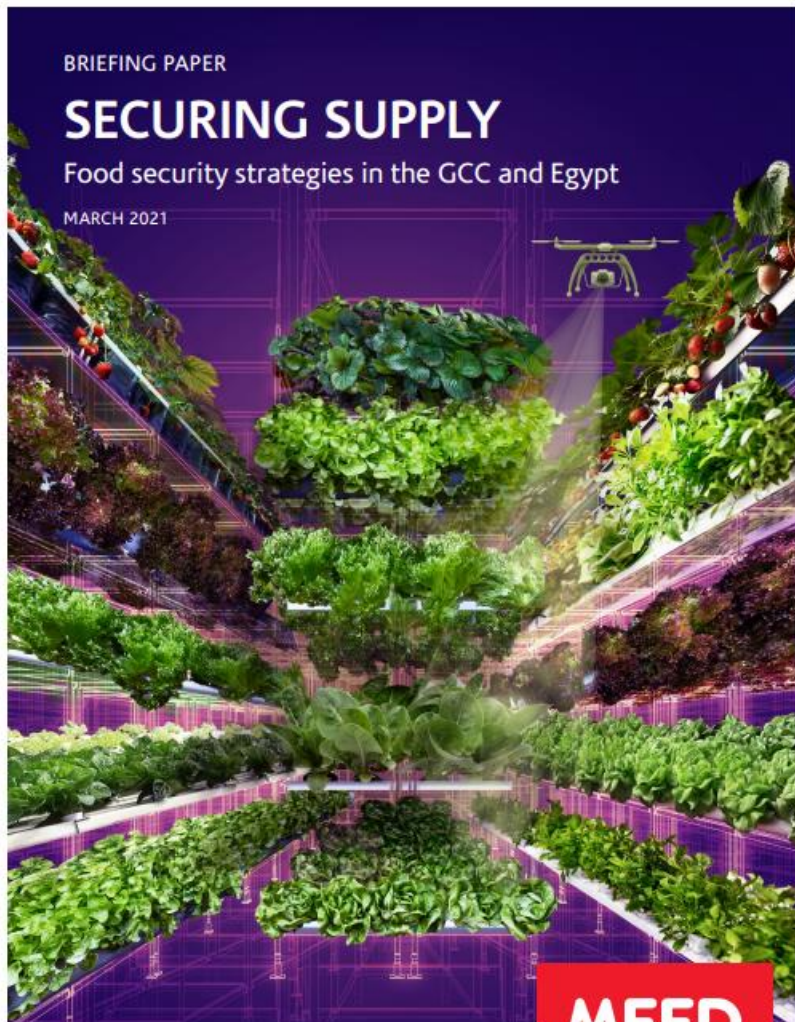
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BRIEFING PAPER

SECURING SUPPLY

Food security strategies in the GCC and Egypt

MARCH 2021



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Middle East business intelligence

GCC dependent on food imports to meet local demand. In UAE, nearly 90 per cent of demand met through imports

Food security risk increased by geopolitics, instability on import pricing and routes. Covid-19 exposed further vulnerabilities

Countries expanding strategic warehousing capacity and logistics networks to mitigate risks. Increasing local production

Traditional farms are struggling to keep up with the growing demand and are turning to agritech

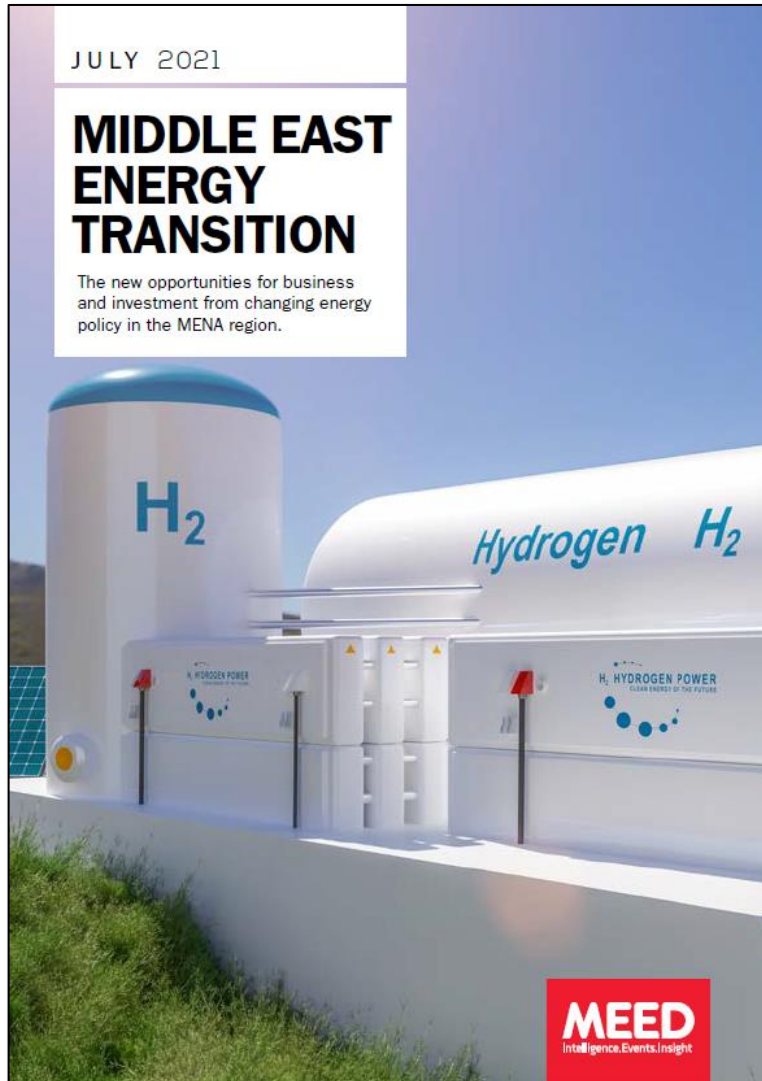
UAE National Food Security Strategy 2051 launched in Nov 2018 to champion agribusiness trade and promote agritech

- Growing controlled environment agriculture (CEA):
- Indoor greenhouses
- Polytunnels use 95% less water than traditional farms
- Recirculating aquaculture systems

Dietary needs will not be entirely met by home-grown produce.

Adapting diet, reducing consumption, and reducing waste

- Recovery from Covid-19 pandemic underway driven by vaccination programmes
- Not out of the woods. Region still vulnerable to global recovery, particularly energy and travel
- Some of the aspects of the past 18 months are likely to continue in some form
- Topline GDP growth and oil prices recovered
- Tight fiscal management will continue
- Reform efforts more vital than ever – privatisation, PPP. ESG important. Localisation
- Oil & gas remains priority but decarbonisation/energy transition driving renewables
- Post-Covid acceleration in digitalisation to drive efficiency
- Focus on attracting R&D investment to the region in advanced tech, energy and healthcare
- VAT/taxes. Increase borrowing. Inflation risk.



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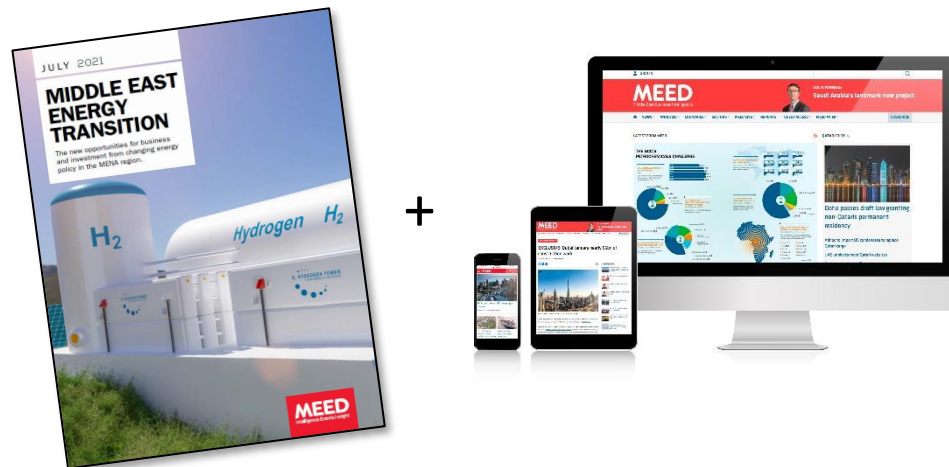
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