GCC contract awards to drop by 15% in 2016

Michael Fahy

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The value of construction contracts due to be awarded this year is set to drop by 15 per cent as government spending plans in the GCC are reined in by low oil prices.

According to Meed, the value of projects is set to decline to US$140 billion this year, compared with $165bn last year.

Saudi Arabia will be one of the hardest-hit markets, with new contract awards likely to drop by almost 20 per cent, or about $10bn, to $40.7bn.

Contract awards in Qatar are set to fall by 24 per cent to $22.2bn and Kuwait by 23 per cent to $24.3bn – from an all-time high of $31.5bn last year.

The UAE, meanwhile, will only experience a drop of 2.4 per cent, or $900 million, in contract awards to $36.5bn, from $37.4bn.

Meed said that the market would be buoyed by continued spending on real estate and infrastructure in Dubai, and by long-term strategic spending on oil and gas projects in Abu Dhabi.

The $165bn awarded in the region last year was below Meed's forecast of $172bn, which it blamed on the postponement of projects in Saudi Arabia and the UAE.

"In the UAE, the principal cause of the federation's underperformance was the Abu Dhabi market," said Meed's director of content and analysis for projects, Ed James. "While oil and gas spending there has remained robust, investment in the civil construction sector has been relatively anaemic compared with previous years."

A new report from the market research firm Timetric's Construction Intelligence Centre argued that the UAE's construction market would continue to grow at a compound rate of more than 6.5 per cent over the next five years, up from about 3.5 per cent between 2010 and 2014.

This will come from increased infrastructure spending in the run-up to Dubai's hosting of the 2020 World Expo, Timetric said, and from projects to diversify the economy – particularly in manufacturing.

mfahy@thenational.ae

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