



GCC powers of
construction 2012
Construction
sector overview

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GCC powers of construction 2012

CF section

Key characteristics

Country	Overview	Capital	Area (sq km)	Currency
UAE	<ul style="list-style-type: none"> The UAE is a federation of seven emirates, of which Abu Dhabi is the largest After gaining FDI to exploit oil and gas, the UAE has diversified into a prosperous economy 	Abu Dhabi	83,600	<ul style="list-style-type: none"> UAE Dirham Pegged to US\$ = 3.675 Dirham
Saudi Arabia	<ul style="list-style-type: none"> KSA is one the largest economies in the world, accounting for c.55% of total GCC GDP Oil accounts for c.90% of exports and 75% of government revenue, which is being used to facilitate an infrastructure boom 	Riyadh	2,240,000	<ul style="list-style-type: none"> Saudi Riyal Pegged to US\$ = 3.75 Riyal
Qatar	<ul style="list-style-type: none"> Qatar has one of the highest levels of GDP per capita in the world, driven by oil revenue OBG reports that the current Emir is initiating liberalising changes to steer the economy towards diversification 	Doha	11,437	<ul style="list-style-type: none"> Qatari Riyal Pegged to US\$ = 3.64 Riyal
Bahrain	<ul style="list-style-type: none"> The Kingdom of Bahrain is an island country in the Persian Gulf and is relatively diversified away from oil There is a major infrastructure overhaul in progress, aiming to cement Bahrain's place as the gateway to the GCC region 	Manama	716	<ul style="list-style-type: none"> Bahraini Dinar Pegged to US\$ = 0.376 Dinar
Kuwait	<ul style="list-style-type: none"> Kuwait is slowly beginning to diversify its economy, with the hope of reducing dependency on oil revenue 	Kuwait City	17,818	<ul style="list-style-type: none"> Kuwaiti Dinar Abandoned \$ peg in 2007 Pegged to a currency basket \$ = 0.273 Dinar
Oman	<ul style="list-style-type: none"> Oman is regarded as one of the more conservative and traditional GCC states, where the local citizens are still a majority The construction industry is beginning to see benefits from the diversification policies instigated under the Vision 2020 plan 	Muscat	309,500	<ul style="list-style-type: none"> Omani Rial Pegged to US\$ = 0.3850 Rial

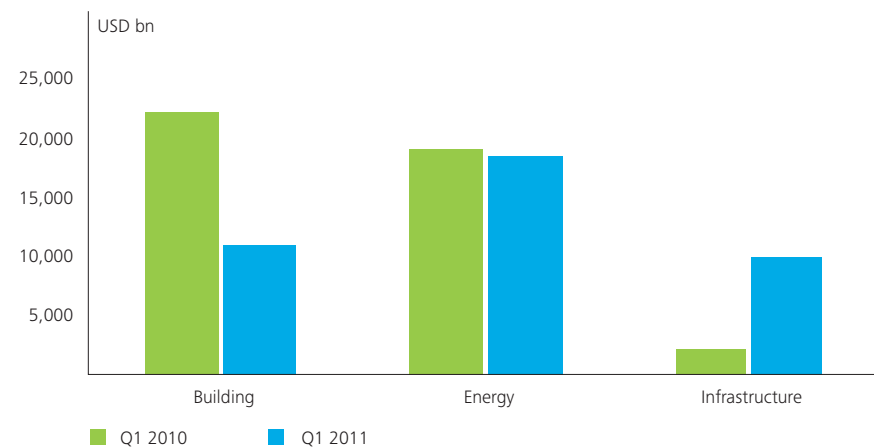


GCC construction sector

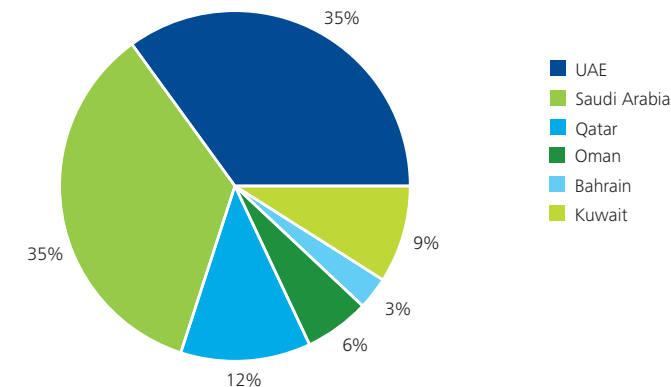
Overview of construction industry

- Backed by vast oil-based reserves and government stimulus packages, the economic prospects of the GCC region have remained positive despite ongoing political unrest in the wider Middle East region.
- Efforts to maintain a balanced and diversified economic base have remained the primary focus of the regional governments as evidenced by a steady stream of investments into construction and infrastructure developments.
- Construction contracts worth USD 40 billion were awarded to contractors in the first quarter of 2011, 47 percent of which were in the energy sector.
- Global demand for oil and gas escalated as political unrest caused uncertainty on future supply.
- KSA is the largest economy of the GCC region and is leading investments in the construction sector.
- Over USD 500 billion investment opportunities in energy, transportation, education, healthcare and other critical sectors of economic development.
- The UAE is ranked as the second largest market with investments worth USD 9bn allocated to the buildings, infrastructure and energy sectors in the first quarter of 2011.
- Qatar is the fastest growing economy in the GCC region and holds an 8 percent share of the total value of projects.
- Backed by vast reserves of natural gas and an expansionary budget concentrated on all round economic development encompassing a wide spectrum of sectors.

GCC construction contract awards



GCC projects planned or underway as of Sept 6, 2011



Source: MEED



GCC construction sector

U.A.E.

Macroeconomic data

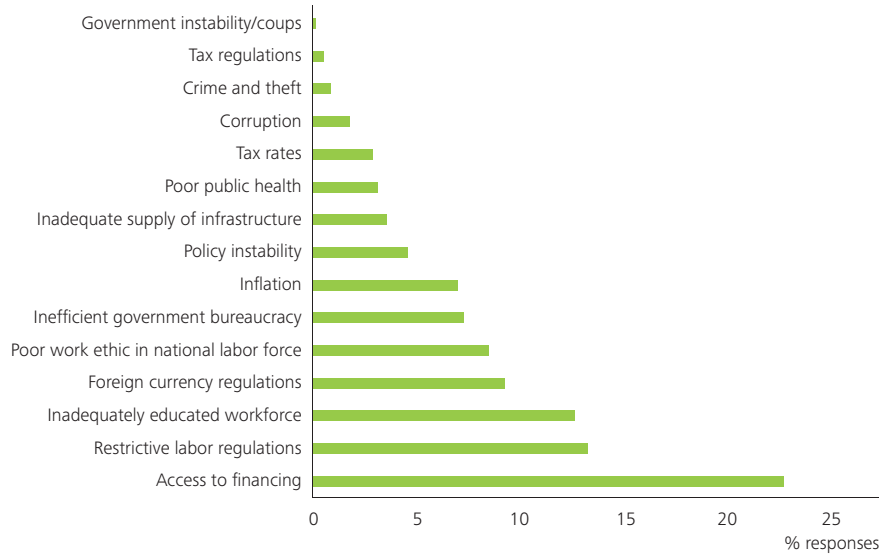
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Forecast	2012 Forecast
GDP							
Normal GDP (USD bn)	175.2	206.4	254.4	248.9	269.6	301.3	328.3
Real GDP growth (%)	13	6.2	7.4	(2.7)	2.1	3.1	4.6
Origin of GDP (% real change)							
Agriculture	(4.8)	(0.8)	0.2	2	2	2	2
Industry	17.3	6	8.1	(5.6)	2.3	3.3	4.6
Services	7.9	6.9	6.7	1.7	1.8	3	4.8
Population and income							
Population (m)	5.3	5.9	6.8	1.7	6.7	7	7.3
GDP per head (USD at PPP)	28.7	27.9	26.8	27.3	27.1	27.4	27.9
Fiscal indicators (% of GDP)							
Government revenue	31.2	30.2	33.2	24.6	24.5	23.5	23.1
Government expenditure	19.9	21.1	19	22	22	21.6	22.2
Government balance	11.3	9.1	14.2	2.6	2.3	1.9	0.9
Net public debt	37.2	41.2	39.4	48.9	44.9	39.3	35.6
Prices and financial indicators							
Consumer prices (av ; %)	13.5	11.1	12.3	1.6	0.9	1.7	1.5
Leading interest rate (av ; %)	7.9	8	7.3	5.9	5.2	5.5	5.7



GCC construction sector

U.A.E.

Overall ranking	2010	2011
	27	25



Source: The Global Competitiveness Report 2011-2012



GCC construction sector

U.A.E.

Strengths

- One of the most liberal trade regimes in the GCC and attracts strong international capital flows
- High number of expatriate workers at all levels of the economy, making up for the otherwise small workforce
- Progressively diversifying economy, minimizing vulnerability to oil price movements
- Government-supported infrastructure spending in transport and utilities expected to intensify in line with increasing demand levels
- Clear regulatory environment and governing private investments creates a favorable climate for investment in infrastructure
- State-owned utilities (ADEWA, DEWA etc) are willing to take on majority equity stakes in projects and provide government guarantees in order to attract investors

Weaknesses

- Rising unemployment due to contraction in the construction sector.
- Project finance operations are onerous, while the credit markets remain skeptical of Dubai after the decline of the real estate market
- Shortage of power and water in new buildings as rapid growth of the residential and commercial construction sectors has not been matched by an equally rapid growth in local utilities sectors

Opportunities

- Favorable macroeconomic outlook as oil prices are expected to remain high (by historical standards)
- Economic diversification into gas, tourism, financial services and high-tech industries offers some protection against volatile oil prices
- Despite the impact of the 2009 downturn, the tourism and financial sectors still have good growth prospects, driven by domestic and foreign investment
- Decline in cement and steel prices in the region reduces the cost of new projects
- Government willingness to allow private participation in infrastructure
- Becoming a hub for renewables and green tech, with Masdar spearheading new ventures

Threats

- Political instability in the Middle East region could affect investor perceptions
- Several high-profile construction projects have been delayed and fear of another property market crash could threaten future development



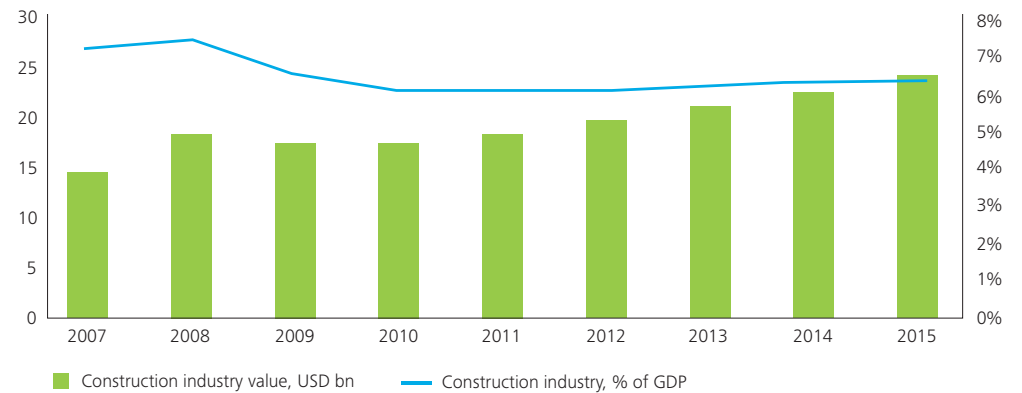
GCC construction sector

U.A.E.

U.A.E. construction industry

- According to Business Monitor International (BMI), the UAE's construction industry value is forecast at approximately USD 20bn in FY11, representing a real value annual growth of 3.5%
- MEED estimates the total value of projects planned or underway in the UAE at USD 623bn
- In the UAE USD 20bn of contracts have been awarded between Q1 and Q3 of 2011, of which Abu Dhabi accounted for 70%
 - Abu Dhabi is driving this growth with over USD 12bn in awarded contracts, with particular attention placed on transport, utilities and social infrastructure
 - The Abu Dhabi government has a long term investment program to upgrade its airports, seaports and public transport system to cater to the growing population
 - Abu Dhabi announced the construction of a USD 7bn international airport and a new seaport facility at the Khalifa Port and Industrial Zone
 - Masdar has secured a USD 615m financing for its Shams 1 concentrated solar power (CSP) project, which will be one of the world's largest solar plants
 - Approximately USD 2bn has been allocated towards an integrated housing project on the outskirts of the capital to improve the imbalances within the residential market
- Dubai accounts for c. 23% of the total value of contracts awarded
 - Power and utilities will be leading the investment to meet the 6% annual growth in power demand
 - The Dubai Electricity and Water Authority (DEWA) announced a USD 19bn CAPEX plan from 2012 to triple power generation capacity to 22 GW in 2017

Estimated construction growth - UAE



Source: Business Monitor International

35%	Share of GCC's project market
\$201 bn	Planned investments in infrastructure in the UAE
30%	Dubai's 2010 budget allocation to infrastructure
\$89 bn	Total capital investment in 2011
3.5%	(Expected growth in 2011 for UAE's building sector (residential and non-residential))



GCC construction sector

U.A.E.

U.A.E. project market

Total value of projects planned or underway = USD 623 bn (MEED)

Examples of major projects

Value (USD bn)

Transport

Dubai Metro	7.6
Abu Dhabi International Airport expansion	6.8
Midfield Terminal at Abu Dhabi International Airport	5.4
Al Maktoum International Airport	3.3
Abu Dhabi-Al Guwaifat highway concession	2.7

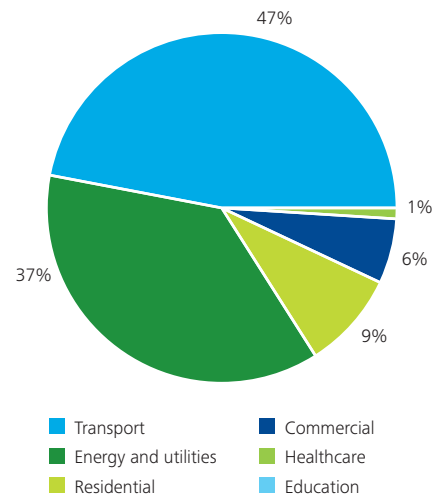
Energy and utility

Masdar City, Abu Dhabi	22
Hassyan IWPP	8.6
Gas processing facilities, Abu Dhabi	7
IGCC plant, Dubai	6
Shuweihat 2 IWPP	5.6
Oil storage terminal in Fujairah	5.5

Residential

Arab Canal Project	11
Abu Dhabi residential housing fund	5.5
Festival City Dubai	4.7
Oqyana development, Dubai World	3.5

Project market breakdown - UAE



Source: Business Monitor International



GCC construction sector K.S.A.

Macroeconomic data

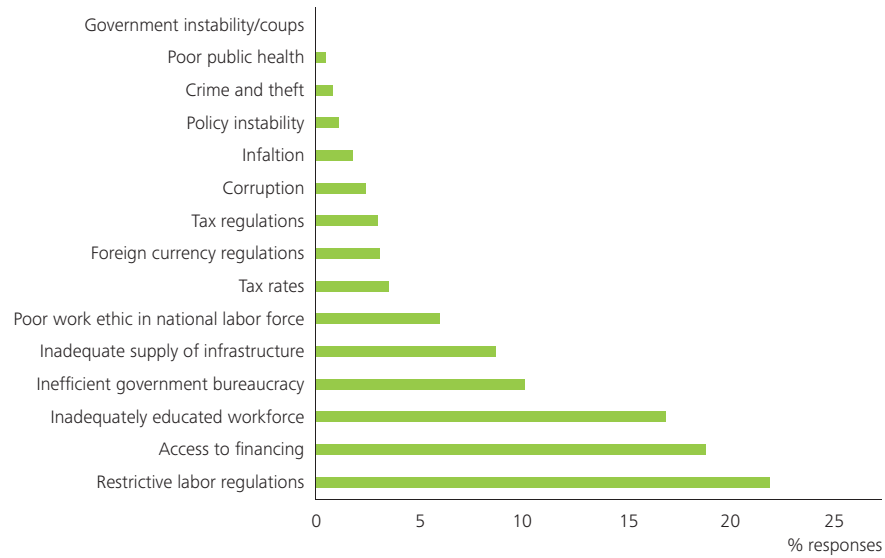
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Forecast	2012 Forecast
GDP							
Normal GDP (USD bn)	315.6	356.6	384.9	476.3	375.8	446.4	471.9
Real GDP growth (%)	5.6	3.2	2	4.2	0.6	3.4	3.7
Origin of GDP (% real change)							
Agriculture	1.2	1.1	1.9	03.7	0.6	0.6	-
Industry	6.4	2	(0.2)	4.4	(2.8)	3.1	3.6
Services	5	4.4	4.2	4.3	4	4	4.1
Population and income							
Population (m)	23.2	24	24.7	25.5	26.3	27.1	27.9
GDP per head (USD at PPP)	21.2	21.8	22.2	22.9	22.6	22.9	23.5
Fiscal indicators (% of GDP)							
Government revenue	47.7	30.2	44.6	61.6	36.2	41.2	39.3
Government expenditure	29.3	29.4	32.3	29.1	42.3	38.8	38
Government balance	18.4	21	12.2	32.5	(6.1)	2.5	1.2
Net public debt	42.9	30.9	24.7	18.7	22.6	17	16.2
Prices and financial indicators							
Consumer prices (av ; %)	0.6	2.3	4.1	9.9	5.1	5.7	6
Leading interest rate (av ; %)	3.8	5	4.8	2.9	0.6	0.5	0.8



GCC construction sector

K.S.A.

Overall ranking	2010	2011
	17	21



Source: The Global Competitiveness Report 2011-2012



GCC construction sector

K.S.A.

Strengths

- The recent oil price boom has boosted growth in the non-oil sector and infrastructure is now much improved
- A large and growing local population means solid domestic demand for goods, services and infrastructure in spite of the global macroeconomic crisis
- One of the largest construction industries in the Middle East
- The Ninth Development Plan for KSA sets out plans to invest USD 385bn in social and economic infrastructure between 2010 and 2014

Weaknesses

- Dependence on oil means growth, exports and government revenue remain highly vulnerable to shifts in world oil prices
- The private sector is dependent on expatriate labor, reflecting a shortage of marketable skills among nationals and a high unemployment rate among Saudi citizens

Opportunities

- A competitive business environment will make KSA appealing to investors once risk appetite returns to global markets
- Slower growth and lower liquidity will bring inflation down domestically, cushioning the impact of the consumer slowdown
- Number of large ongoing projects means that many multinational firms have a presence in the country
- Increasing private investment should provide opportunities for large foreign contractors to increase their involvement in the country
- As other construction industries in the Gulf stagnate, construction companies looked to KSA for opportunities.

Threats

- Any attacks on oil facilities could lead to a disruption of output, which would be extremely detrimental to the overall economy given the reliance on this sector
- Perceptions of high security risk deter some investors as well as adding to the costs of insurance



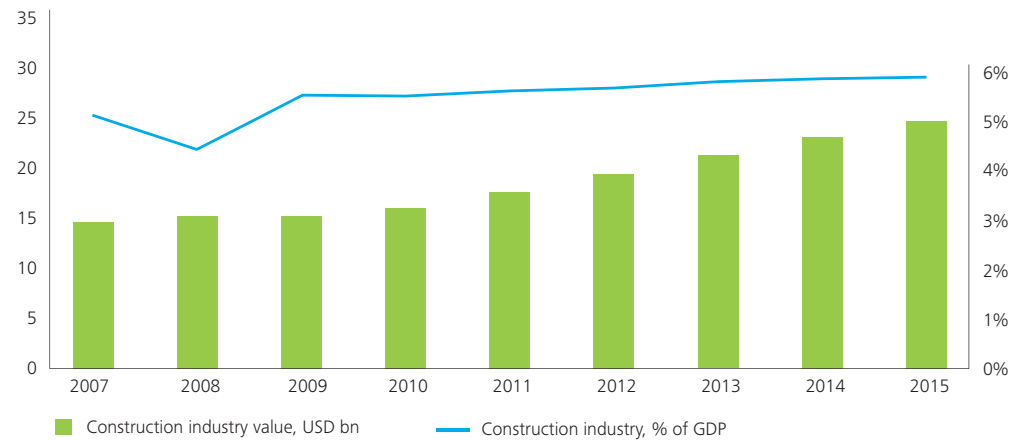
GCC construction sector

K.S.A.

K.S.A construction industry

- KSA's construction industry value is forecast at approximately USD 21bn in FY11
- MEED estimates the value of projects planned or underway in KSA at USD 629bn
- The outlook for the infrastructure sector remains positive and growth is expected to average 4% over the next 4 years, with a project pipeline worth USD 100bn, driven by a growing population and increasing demand across the building and infrastructure sectors
- Under the Ninth Development Plan, the KSA government aims to invest USD 385bn in social and economic infrastructure between 2010 and 2014
 - 7% will be directed towards housing projects
 - 19% for healthcare, with 117 hospitals and 750 primary care units expected to open by 2015
 - Vocational schools and colleges are expected to be included in the plan
- In response to the political unrest in the region, the Government announced social benefit packages totalling USD 130bn
 - USD 66bn specifically for housing with 500,000 units in the pipeline
- A USD 80bn 10-year investment plan for electricity infrastructure is in place to cater to an expanding population
 - Approximately 20GW of electricity capacity are currently under construction with a total value of c. USD 30bn
- Physical infrastructure projects in KSA will continue to drive current economic development to reduce its reliance on the oil industry
 - In March 2010, KSA's General Authority for Civil Aviation pledged USD 666m for 34 airports across the country over the next 4-5 years
 - An estimated USD 2bn worth of road projects are currently under construction
 - A total of USD 27bn of rail projects under development or at the bidding phase

Estimated construction growth - KSA



Source: Business Monitor International

3.7 %	Year-on-year real construction growth in 2010
\$30 bn	Value of construction projects awarded by the government in 2010
\$13 bn	Value of awarded contracts during the first quarter of 2011
4.0 %	Average real growth in the construction industry value between 2012 and 2015
\$385 bn	Planned investment for KSA between 2010 and 2014
1 m	Housing units planned between 2011 and 2015
200	Number of airports in the country
94.5%	Target employment rate among Saudi nationals by 2014



GCC construction sector

K.S.A.

K.S.A. project market

Total value of projects planned or underway = USD 629bn (MEED)

Examples of major projects Value (USD bn)

Transport

King Abdulaziz International airport	7.2
Port at King Abdullah Economic City	6
Saudi Landbridge Railway	7
Al Maktoum International Airport	4.2

Energy and utility

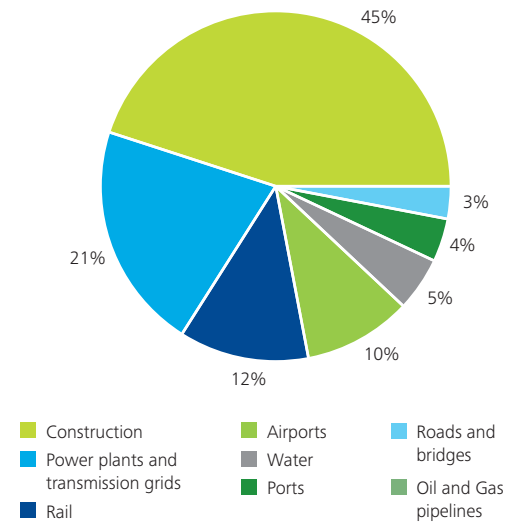
PP10 and PP11 power plant near Riyadh	4.1
Rabigh 6, 2,400 MW power plant	3.4
Ras al Zour water and power plant	2.4
Shoaiba 3 desalination plant	2.1

Construction and social infrastructure

Kingdom tower project	30
Jubail refinery scheme	12
King Abdullah Sports City	4

Source: Business Monitor International

Project market breakdown - KSA



Source: Business Monitor International



GCC construction sector

Qatar

Macroeconomic data

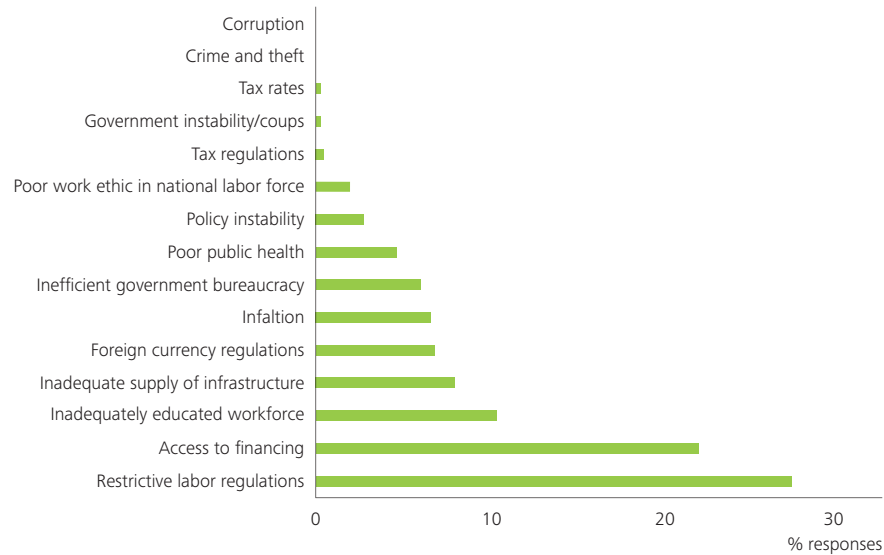
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Forecast	2012 Forecast
GDP							
Normal GDP (USD bn)	60.5	80.8	100.4	96.8	124.7	155.7	179.7
Real GDP growth (%)	12.2	17.3	11.7	9.5	14	15.8	5.9
Origin of GDP (% real change)							
Agriculture	–	–	2.5	1.9	1.7	1.5	1.5
Industry	7.2	18.7	10	14.9	20.1	17.9	11.7
Services	23	15	15.4	3	2.5	5.4	3.2
Population and income							
Population (m)	1.1	1.3	1.6	1.6	1.7	1.8	1.9
GDP per head (USD at PPP)	58.4	59.8	58.7	61.8	66.9	74.3	76.4
Fiscal indicators (% of GDP)							
Government revenue	40.4	40.6	40.4	34.8	34.5	34	34.7
Government expenditure	31.5	29.3	26.9	27.3	22.4	19.2	17.9
Government balance	8.9	11.4	13.5	7.5	12.1	14.8	16.8
Net public debt	11.8	7.6	5.1	14	10.5	8.3	7.1
Prices and financial indicators							
Consumer prices (av ; %)	11.3	13.7	13.2	(3.4)	0.1	3.6	4.7
Leading interest rate (av ; %)	7.2	7.4	6.8	7	7.8	6.2	7.3



GCC construction sector

Qatar

Overall ranking	2010	2011
	14	17



Source: The Global Competitiveness Report 2011-2012



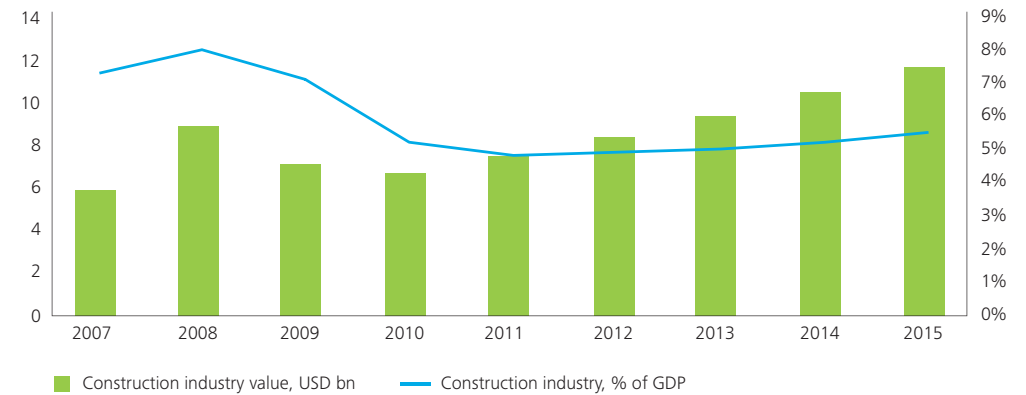
GCC construction sector

Qatar

Qatar construction industry

- Qatar's construction industry value is forecast at approximately USD 8bn in FY11
- MEED estimates the total value of projects planned or underway in Qatar at USD 226bn
- Qatar's construction sector is expected to return to real growth in 2011 following two consecutive years of contraction
 - The Qatar Statistics Authority reported 14% year-on-year nominal growth for Q4 2010, expected to continue into 2011 and beyond
- Sport has been a key element of the construction industry boom over recent years in the non-oil and gas sector
 - Hosting the 2022 FIFA World Cup will drive growth for the construction industry with the country expected to invest around USD 60-70bn in hotel, leisure, tourism, sports, recreational and infrastructure projects
 - In 2011, the country will host the Asian Football Confederation's Asian Cup for the second time
- Qatar's transport infrastructure is also one of the sectors benefiting from recent investment
 - Qatar plans to invest USD 25bn in the development of rail lines
 - Other major transport infrastructure projects include: the construction of the New Doha International Airport (USD 9bn), a new port (USD 9bn) and the construction of new road networks (USD 20bn)
- Education is another key area of construction activity
 - The largest construction project currently in the emirate is Qatari Diar's Lusail development which will include residential housing for more than 200,000 people
- Qatar is continuing to expand its power sector through the construction of more power plants, which will help to combat the power shortages in the country and is also tackling the issue of water demand through developing independent water and power plants (IWPPs)

Estimated construction growth - Qatar



Source: Business Monitor International

5.3%	Construction industry % of GDP in 2010
\$6.7bn	Construction industry value in 2010
1.3m	Total workforce in 2010
8.4%	Forecast average real year-on-year growth of the construction industry to 2015
\$10bn	Allocation of 2010/2011 budget to infrastructure
\$70bn	Spending for the 2022 World Cup including commercial projects and transport infrastructure



GCC construction sector

Qatar

Qatar project market

Total value of projects planned or underway = USD 226 bn (MEED)

Examples of major projects

Value (USD bn)

Transport

National rail system	7.2
Abu Dhabi - Qatar Causeway	13
Doha International Airport	9
New Doha Port	9
Qatar-Bahrain Causeway	5

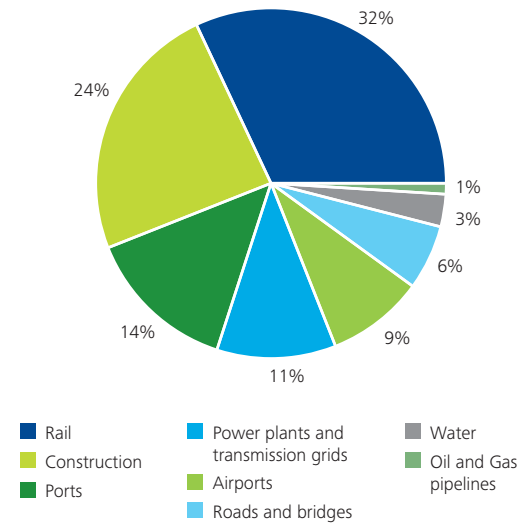
Energy and utility

Mesaieed A IPP	2.3
Ras Girtas (Ras Laffan) C	2
GCC Power Grid (first phase)	1.2
Water desalination plant	1

Residential

Lusail City	14
Heart of Doha	5.5
Musheireb development	5.5
Doha multipurpose complex	1.6

Project market breakdown - Qatar



Source: Business Monitor International

Source: Business Monitor International



GCC construction sector

Kuwait

Macroeconomic data

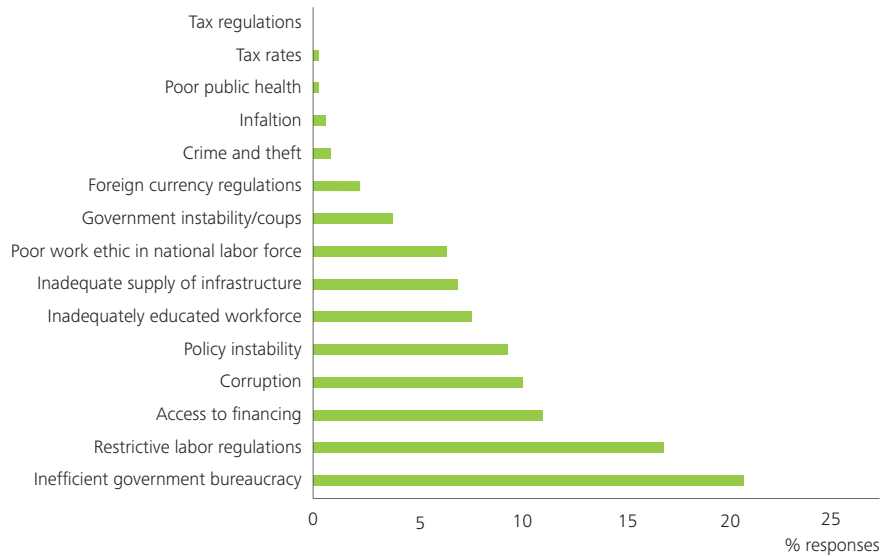
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Forecast	2012 Forecast
GDP							
Normal GDP (USD bn)	101.6	114.6	148	109.5	130.9	142.1	151.3
Real GDP growth (%)	5.2	4.4	8.5	(4.6)	3.2	4	5.3
Origin of GDP (% real change)						2	
Agriculture	(2.0)	(8.8)	1	–	1	3.6	1
Industry	3.1	(1.3)	8.2	(9.1)	2.1	4.4	5.1
Services	7.9	11.2	8.8	–	4.2	5.4	5.5
Population and income							
Population (m)	3.2	3.4	3.4	3.5	3.6	3.7	3.9
GDP per head (USD at PPP)	37.7	38	41.7	39.6	39.9	40.4	41.3
Fiscal indicators (% of GDP)							
Government revenue	52.5	58.1	52.9	56.9	54.1	52.2	49.7
Government expenditure	28	23	37.8	31	29.2	29.4	29.6
Government balance	24.4	35.1	15.1	25.9	24.9	22.8	20.1
Net public debt	10.1	11.8	9.5	13.1	11.6	11.3	11.3
Prices and financial indicators							
Consumer prices (av ; %)	3.6	7.5	9	2.1	5.3	4.6	4.1
Leading interest rate (av ; %)	8.6	8.5	7.6	6.2	5.8	5.2	4.3



GCC construction sector

Kuwait

Overall ranking	2010	2011
	34	35



Source: The Global Competitiveness Report 2011-2012



GCC construction sector

Kuwait

Strengths

- With large oil reserves, Kuwait has a significant cushion to weather current economic difficulties
- The country has been generating surpluses for the past 11 years and thus has capacity to finance large projects

Opportunities

- The government has ample assets in sovereign wealth and reserve funds to keep the economy afloat in spite of lower oil prices
- Improvements in power and transmission systems provide opportunities for more ambitious developments
- In the long term, political scrutiny and changes in government may lead to a higher level of openness and lower corruption compared with other GCC and Middle Eastern states
- A number of major inter-regional infrastructure projects are being developed in the GCC region
- The government has outlined a USD 108bn four-year investment plan, which will include a number of major infrastructure projects

Weaknesses

- Oil accounts for almost 50% of GDP, more than 80% of government revenues and over 90% of total export earnings, with the non-oil economy still relatively underdeveloped
- This makes Kuwait highly vulnerable to exogenous shocks, especially in relation to world oil prices
- Attempts to 'Kuwaitize' private sector employment have met with limited success
- Corruption and political instability both threaten the investment environment

Threats

- Weak business environment compared with other GCC members will potentially make Kuwait the slowest member to recover economically
- Continuing political disagreement with Iraq and other neighbors may threaten regional stability
- Lack of sufficient private investment may result in a period of extended stagnation as investors look elsewhere for returns

Source: Business Monitor International



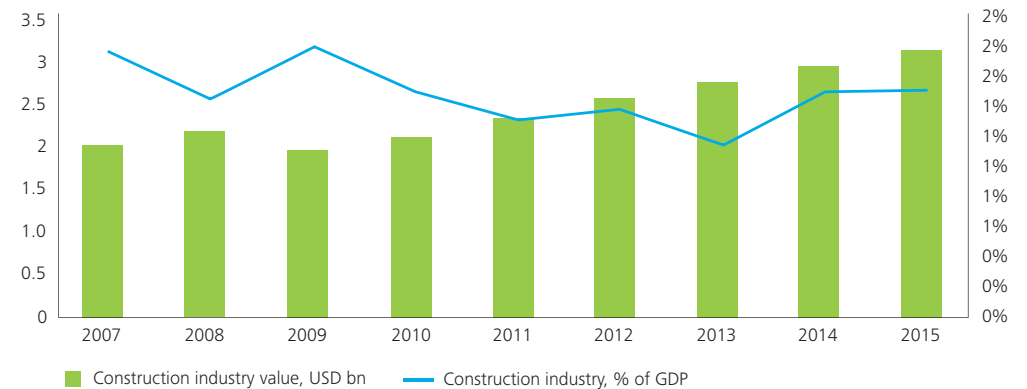
GCC construction sector

Kuwait

Kuwait construction industry

- Kuwait's construction industry value is forecast at approximately USD 2.4bn in FY11
- MEED estimates the total value of projects planned or underway in Kuwait at USD 168bn
- BMI expects a slow but steady growth with the industry value rising marginally to USD 3.2bn by 2015
- Last year, a four year USD108bn infrastructure investment package was approved covering power, water, a metro system, housing, roads and healthcare
 - The Partnerships Technical Bureau in Kuwait has been mandated to promote private sector investment through Public-Private Partnerships (PPP) and Build Own Operate and Transfer (BOOT) schemes to ensure efficient implementation of the infrastructure investment plan
 - Additionally, new legislation allowing private companies to hold a stake in Kuwait's power sector has been approved
- The social infrastructure sector will play an increasingly critical role in stimulating the country's wider economic activity
- There has been heightened investment in public education with at least USD 5bn of university building projects in the planning stages or under construction
 - Kuwait has the region's second largest higher-education building program, centered on the USD 3bn Sabah al-Salem university project
- Housing and commercial projects represent 50% of the project market underpinned by strong demand growth
 - Kuwait plans to construct 80,000 housing units over the next six years
 - Social housing is also a new priority for the Government with plans in place to use PPP structures to deliver low-cost housing
- Plans to construct eight public hospitals by 2016 are in place to deal with the heavy pressure placed on the healthcare sector

Estimated construction growth - Kuwait



Source: Business Monitor International

\$2.4 bn	Value of construction industry in FY11
2.5%	Expected construction growth in 2011
\$108 bn	Infrastructure investment plan
\$7 bn	Electricity generation project
\$698 m	Investment in redeveloping Kuwait International Airport
\$1.8 bn	Planned housing projects



GCC construction sector

Kuwait

Kuwait project market

Total value of projects planned or underway = USD 168bn (MEED)

Examples of major projects

Value (USD bn)

Transport

Boubyan Island Port	1.3
Mass Rapid Transit (MRT)	7
Sheikh Jaber Al Ahmed Bridge	3.7
Subiya Causeway	3.7

Energy and utility

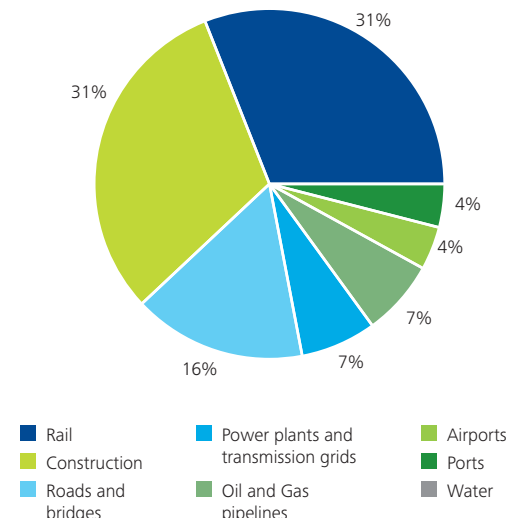
Upgrades and expansions for Mina Abdulla and Ahmadi refineries	4
Al-Zour IWPP	2.7
Thermal power plant and desalination plant – Shuaiba North	1.3

Residential

College of Engineering & Petroleum, Kuwait University	0.5
Eight new hospitals	8
Al-Zour oil refinery	15

Source: Business Monitor International

Project market breakdown - Kuwait



Source: Business Monitor International



GCC construction sector

Bahrain

Macroeconomic data

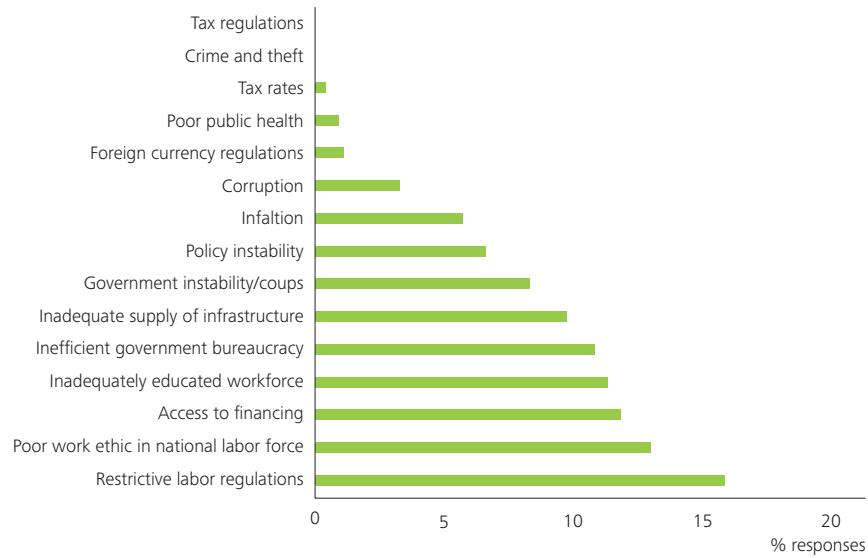
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Forecast	2012 Forecast
GDP							
Normal GDP (USD bn)	15.9	18.5	22.2	19.3	20.8	21.7	24.1
Real GDP growth (%)	6.7	8.4	6.3	3.1	4.4	4.4	5.2
Origin of GDP (% real change)							
Agriculture	(10.1)	27.6	2.9	4.6	1.2	1.1	1.5
Industry	6.4	6.1	4.5	(3.3)	2.2	1.5	2
Services	7.1	10.9	8.3	9.9	6.4	7.1	7.8
Population and income							
Population (m)	1	1	1.1	1.1	1.2	1.2	1.3
GDP per head (USD at PPP)	23.3	24.1	24.6	25.6	25.8	26.1	26.6
Fiscal indicators (% of GDP)							
Government revenue	30.9	29.3	32.1	23.5	29	28.5	26.3
Government expenditure	26.1	26.2	25.6	29.7	28.7	27.5	26.4
Government balance	4.7	3.1	6.6	(6.1)	0.3	1	(0.1)
Net public debt	37.1	31.5	28.3	42.4	60.1	56.8	51.6
Prices and financial indicators							
Consumer prices (av ; %)	2.7	3.4	3.2	2.7	2.5	2.9	3.2
Leading interest rate (av ; %)	8.1	8.4	8.3	8	8.1	8.1	8.4



GCC construction sector

Bahrain

Overall ranking	2010	2011
	37	37



Source: The Global Competitiveness Report 2011-2012



GCC construction sector

Bahrain

Strengths

- The economy is more diversified than GCC peers
- A regional financial hub, with a well-developed banking sector and a growing Islamic finance industry
- Strong government initiative by way of investment in construction projects

Opportunities

- A package of labor market reforms backed by the Economic Development Board should improve productivity and so boost growth
- Signing of the Bahrain-US FTA has opened a huge market for domestic players

Weaknesses

- Political instability could threaten economic stability and deter international capital flows
- Oil price movements remain a source of risk, as exports and services are highly vulnerable to changes in demand in the extremely oil-dependent country
- Public finances are only partially transparent, due to the persistence of opaque 'extra budgetary transactions'
- Complicated project approval process discourages leading companies from investing in infrastructure projects in Bahrain

Threats

- Proposals to limit the duration of expatriate work permits could lead to labor shortages in the construction industry, which is reliant on workers from south Asia
- Despite renewed exploration efforts, oil reserves are dwindling and output is expected to fall by the end of the decade

Source: Business Monitor International



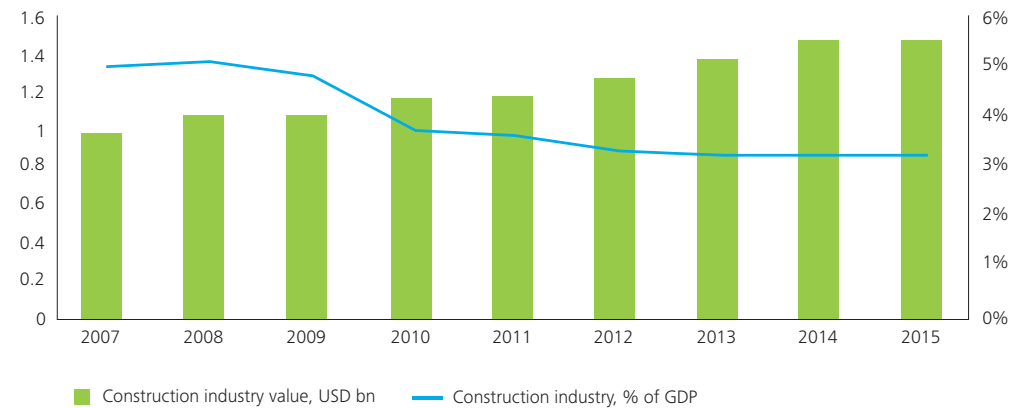
GCC construction sector

Bahrain

Bahrain construction industry

- Bahrain's construction industry value is forecast at approximately USD 1.2bn in FY11
- MEED estimates the total value of projects planned or underway in Bahrain at USD 52bn
- Steady growth of 1.6% was recorded in 2010 and BMI forecast real term growth of 3.2% in 2011
- Between 2012 and 2015, growth is expected to remain conservative at 3% - 4% of GDP due to:
 - Oversupply in the commercial construction sector
 - Structural constraints in the housing sector
 - The Government's limited budget for social infrastructure
- Trade is an integral part of the Bahraini economy and the required transport infrastructure is being developed to support its growth, in particular:
 - USD 4.8bn has been committed to the Bahrain International Airport expansion project to triple airport capacity to 27m passengers per annum
 - Over USD 4.7bn is dedicated towards 100km of road and bridge projects
 - Work on the USD 8bn public transport network is expected to start at the end of 2011 and will include light rail transport, monorail, trams and other systems
- Bahrain intends to invest USD 1.3bn in power and water projects to meet expectations of a 7% annual growth in electricity consumption
 - USD 0.85bn has been allocated to building 10 new power stations, expanding 4 existing ones and adding 380km of underground cabling
 - USD 0.45bn to upgrade the country's water network
- The focus on mid to high-end construction during the boom has led to a deficit of low income housing
 - Waiting list of 53,000 households, expanding at 4,000 annually
 - The government intends to involve both the private sector and international developers to rectify this problem

Estimated construction growth - Bahrain



Source: Business Monitor International

1.6%	Year-on-year real construction growth in 2010
\$52 bn	Value of construction projects planned or underway in Bahrain
4.3%	Real year on year capital investment growth (2010 – 2011)
5%	Annual growth of maritime cargo
\$1.3 bn	Planned investment in the energy sector over the forecast period
50,000	Housing units planned between 2010 and 2015
11bn	Value of key commercial and industrial construction projects



GCC construction sector

Bahrain

Total value of projects planned or underway = USD 52bn (MEED)

Examples of major projects

Value (USD bn)

Transport

Expansion of Bahrain International Airport	4.8
Bahrain – Qatar Bridge	4.2
Mina Salman Highway Interchange	4.8

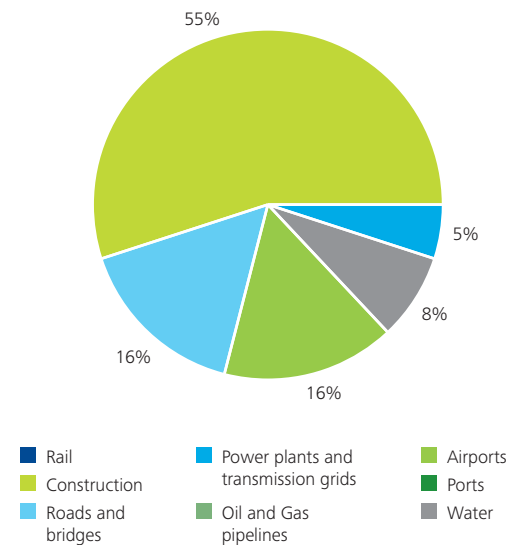
Energy and utility

Al Hidd Power Complex	1.3
Al Dur 1 Independent water and power project	1.6
Muharraw sewage treatment plant	0.3

Construction and social infrastructure

Durrat Al Bahrain	3
Infrastructure development at Amwaj Islands	1.3
Bahrain Financial Harbour	1.3
Housing units (30,000)	3.2

Project market breakdown - Bahrain



Source: Business Monitor International

Source: Business Monitor International



GCC construction sector

Oman

Macroeconomic data

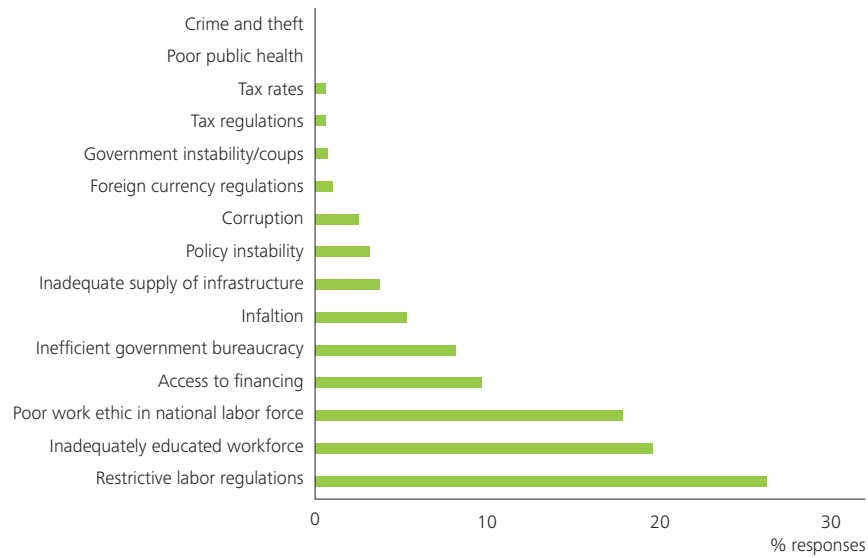
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimate	2011 Forecast	2012 Forecast
GDP							
Normal GDP (USD bn)	36.8	41.9	60.3	46.1	55.5	61.2	67.2
Real GDP growth (%)	5.5	6.8	12.8	3	4.1	4.3	4.7
Origin of GDP (% real change)						2	
Agriculture	(4.6)	4.6	0.5	1.5	1.6	1.6	2.6
Industry	(1.7)	3.6	11.9	0.3	4.5	4.9	5.3
Services	12.2	9.5	13	3.1	3.8	3.7	4.3
Population and income							
Population (m)	2.6	2.7	2.9	3.2	3.3	3.4	3.6
GDP per head (USD at PPP)	21.6	22.4	24.7	23.1	23.3	23.8	24.4
Fiscal indicators (% of GDP)							
Government revenue	35.2	36.7	32.9	38.1	36.1	33.7	34.2
Government expenditure	34.9	36.5	32.6	41.9	34.5	33.3	33.1
Government balance	0.3	0.2	0.4	(3.8)	1.6	0.4	1.1
Net public debt	3.8	3.1	2.5	5.5	3.9	3.5	3.1
Prices and financial indicators							
Consumer prices (av ; %)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Leading interest rate (av ; %)	7.4	7.3	7.1	7.4	7.1	7.3	7.4



GCC construction sector

Oman

Overall ranking	2010	2011
	32	34



Source: The Global Competitiveness Report 2011-2012



GCC construction sector

Oman

Strengths

- Government's strategy to diversify away from oil is well under way and is helping to drive infrastructure and tourism development
- Government is keen to promote private sector involvement and attract foreign companies
- Macro indicators in 2011 are showing signs of a return to positive growth

Opportunities

- Investments in advanced oil recovery technology could potentially boost reserves
- Construction is booming around the industrial port of Sohar, though most services depend on a healthy oil economy
- Major tourism investments aim to attract visits from the rising numbers of tourists travelling to and within the GCC

Weaknesses

- At current output levels, known oil reserves will be exhausted within 20 years
- Hydrocarbons dependence leaves the economy vulnerable to world price shocks
- Country currently does not yet have a rail network and has therefore become over-reliant on the road network

Threats

- Widening price differential between Oman's sour-grade crude oil and OPEC producers' grades
- Oman is not a member of OPEC
- Lower oil prices will result in less room to maneuver for the Government, and will have negative repercussions for consumer spending and investment
- Political instability

Source: Business Monitor International



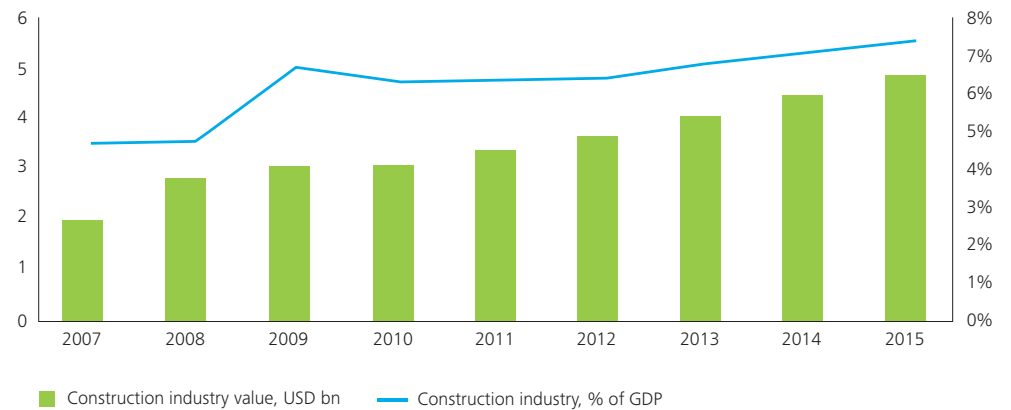
GCC construction sector

Oman

Oman construction industry

- Oman's construction industry value is forecast at approximately USD 3.4bn in FY11
- MEED estimates the total value of projects planned or underway in Oman at USD 103bn
- Following a slight decline in 2010, the Omani construction industry is showing signs of improvement with an estimated year on year growth of 5.1% in 2011
- Long term growth in the industry is forecasted at 6.3%
 - The Omani government's five-year spending plan has assigned USD 78bn to infrastructure investment, the majority of which will go towards developing transport and social infrastructure
- The government is investing heavily in rail, air and sea infrastructure in an effort to diversify modes of transport and encourage tourism
 - Plans for the national rail network are moving ahead, with the first phase of the 1,000km track linking Muscat to the UAE to be complete by 2017
 - Over the next five years, 6 new airports are to be constructed throughout the country and expansions of current airports are also expected
 - Sohar Industrial Port Company is interested in constructing a new port city project at Sohar Port at an approximate value of USD 12bn
- The rapidly increasing population is driving demand for energy and the necessary infrastructure.
 - Key projects in the energy sector represent 61% of total construction projects
 - USD 7.9bn will be invested over the next six years in five IWPP projects
- The recent announcement of USD 8bn expenditures on commercial and residential developments indicates a strengthening market
- There has been heightened interest from developers in tourism projects such as luxury hotels and resorts which is attracting both regional and international players

Estimated construction growth - Oman



Source: Business Monitor International

5.1%	Forecast year-on-year real construction growth in 2011
\$30 bn	Value of key infrastructure projects underway or in the pipeline
6	New airports planned
\$8 bn	Government announced commercial projects in Q1 2011
1,600 km	Length of national rail network once completed
9%	Maximum growth of power demand
29	Number of dam projects to be completed in 2011



GCC construction sector

Oman

Total value of projects planned or underway = USD 103bn (MEED)

Examples of major projects

Value (USD bn)

Transport

Muscat International Airport new terminal	1.8
Masirah Island Bridge	1.5
Duqm Port construction contract extension	0.8
Coastal road network	1

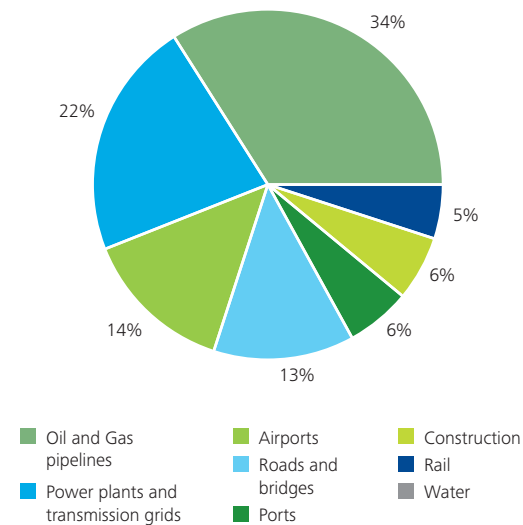
Energy and utility

Kish gas field pipeline	12
Barka III and Sohar II power projects	1.7
Sur power plant	1.8
Haya water project	1

Construction and social infrastructure

Oman Conference and Exhibition Center, Muscat	1
Iron ore palletising plant expansion	0.7
Sohar oil refinery expansion project	3.2

Project market breakdown - Oman



Source: Business Monitor International

Source: Business Monitor International

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