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KUWAIT QUARTERLY NEWSLETTER

ECONOMY & PROJECTS UPDATE – ISSUE 15

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MACROECONOMIC UPDATE

The inflation levels measured by consumer price index (CPI) remained stable at 3.1% in February 2016 as compared to November 2015 (as mentioned in our previous edition – Issue 14).

- ❖ The prices of housing services, health and education increased by 30, 10 and 80 basis points respectively from November 2015 to reach 6.0%, 1.4% and 3.5% YoY in February 2016.
- ❖ The tobacco & narcotics and furnishing equipment, household maintenance inflation reduced to 1.3% and 2.1% YoY respectively in February 2016, from 1.5% and 2.7% YoY in November 2015.
- ❖ Further, prices of clothing & footwear, transport and communication components decreased from November 2015 to reach 0.62%, 0.64% and 0.8% YoY in February 2016.
- ❖ Also, minimum deflation was witnessed in recreation & culture, restaurant & hotels and Miscellaneous goods & services to reach 1.2%, 3.1% and 0.7% YoY respectively in February 2016.

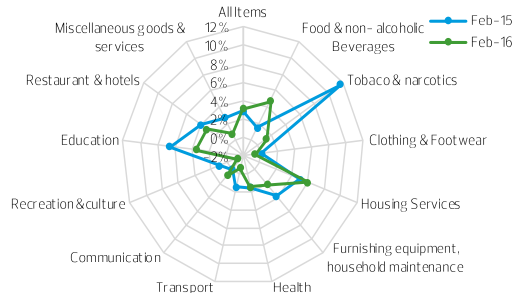
Money supply (M2) growth eased to 4.2% in February compared with November 2015

- ❖ Kuwait's broad measure of money supply (M2) increased by KD 1.42 billion from November 2015 to reach KD 34.93 billion in February 2016, a growth of 4.2%. The rise in M2 is mainly attributed to the increase in quasi money which grew by KD 1.26 billion from November 2015 to reach KD 25.74 billion in February 2016.
- ❖ Credit facilities extended by local banks to residents grew at 7.5% YoY, as compared to 6.5% YoY in November 2015, to reach KD 33.18 billion in February 2016.
- ❖ Bank deposits at local banks increased in February 2016 by 3.4% YoY, to reach KD 39.4 billion. Private sector deposits constitutes 85% of bank deposit base at KD 33.48 billion in February 2016.

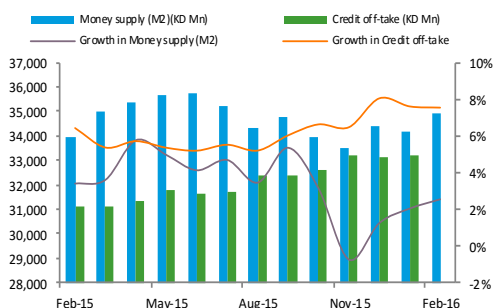
Kuwait export oil price surged in March

- ❖ The average price of Kuwait crude oil for March increased by 32.99 per barrel (p/b), up by 1.50 p/b from 31.49 p/b in December 2015.
- ❖ Total Kuwait's crude oil production averaged 2.77 million barrels per day (mb/d) in March 2016, an increase of 0.06 mb/d from December 2015.
- ❖ Recently, the Kuwaiti government has agreed with Saudi Arabia to resume oil production at the jointly operated Khafji offshore field which will boost Kuwait's current production capacity. The offshore field, located in the Divided Zone between the two countries, was taken offline in October 2014. Also, the discovery of a new oil field at Manageesh in the west of Kuwait in March is another bonus for Kuwait's oil sector as it moves ahead with its strategic plan to reach 4 mb/d by 2020.

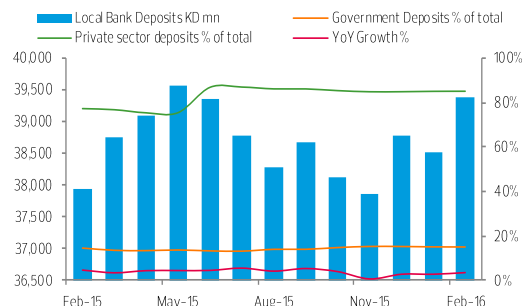
Inflation



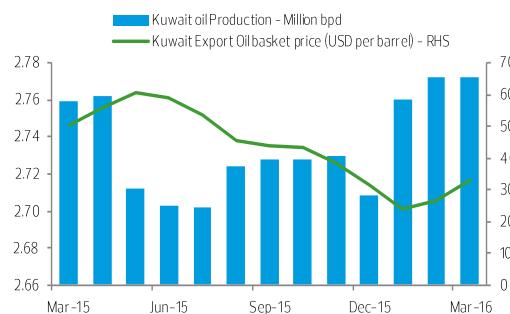
Growth in Money supply and credit off-take



Local Bank Deposits



Monthly production and Oil price



Source: Central Bank of Kuwait, OPEC

MAJOR PROJECTS NEWS UPDATE

A. KUWAIT AUTHORITY FOR PARTNERSHIP PROJECTS (KAPP)

List of Kuwait Authority for Partnership Projects (KAPP) projects in Kuwait

Project Name	Sector	Project Value (USD Mn)	Current Status	Start Year	End Year	
Project updates in 1st quarter 2016						
1	Kuwait National Rail Road (KNRR)	Transportation	10,000	Prequalification extended to Q2 2016	2010	2017
2	Kuwait Metropolitan Rapid Transit System (KMRT)	Transportation	7,000	Prequalification extended to Q2 2016	2012	2020
3	Al-Abdaliyah Integrated Solar Combined Cycle (ISCC)	Power	720	RFP extended to 17 th May 2016	2008	2018
4	Al-Zour North Independent Water and Power Project (IWPP) – Phase 2	Power	N/A	RFP extended 10 th May 2016	2010	2018
5	Kuwait Schools Development Program	Education	N/A	RFP extended to 14 th June 2016	2012	2019
Other projects as mentioned in our previous edition						
6	Kuwait Failaka Island Development	Real Estate Development	3,300	Consultancy Bids under Evaluation	2013	2016
7	Al-Zour North Independent Water and Power Project (IWPP) – Phase 1	Power	2,700	Financial Closure	2010	2016
8	Umm Al-Hayman Waste Water Treatment Plant (WWTP)	Water & Wastewater Management	1,190	RFP	N/A	N/A
9	South Al-Jahra Labor City	Real Estate Development	500	RFP	2012	2017
10	Al-Khairan Independent Water and Power Project (IWPP)	Power	200	Preparing to issue RFP	2012	N/A
11	Municipal Solid Waste Treatment Facility – Kabd Location	Solid Waste Management	100	RFP	2012	2015
12	Rest Houses And Doha Chalet's Service Centers	Real Estate Development	50	RFQ and RFP	2012	N/A
13	Service and Entertainment Center – Egaila	Real Estate	N/A	Prequalified 7 Consortiums	N/A	N/A
14	New Physical Medicine and Rehabilitation Hospital	Health	N/A	Cancelled by PTB	N/A	N/A
15	Commercial, Educational, Cultural and Entertainment Center in Abdulla Al Ahmad Street	Real Estate Development	N/A	Pre-tendering	N/A	N/A
16	Kuwait Public Post Office	Communication	N/A	TA Procurement	N/A	N/A
17	Communication Network and Telecommunication Services	Communication	N/A	TA Procurement	N/A	N/A

Source: MEED, Note: EOI – Expression of Interest, RFQ – Request for Qualification, RFP – Request for Proposal, TA – Transaction Advisor

A. KUWAIT AUTHORITY FOR PARTNERSHIP PROJECTS (KAPP) ... Contd.

KAPP extends project deadlines

Kuwait Authority for Partnership Projects (KAPP) has extended the bid deadlines for 4 of its projects;

- 1) Prequalification process for **Kuwait National Rail Road (KNRR)** and **Metropolitan Rapid Transit System (KMRT)** has moved from the Q1 2016 to Q2 2016. KAPP (as mentioned in our previous edition – Issue 14), had expected to begin prequalification for both schemes by March 2016. The feasibility studies for both schemes are completed and documents are being prepared. Both schemes are expected to start construction by 2017.
- 2) A 4th time extension to the bid deadline for the **Al-Zour North 2 IWPP** to 10th May 2016 from 6th April 2016. Bids were originally due on 17th January 2016 and was extended to 16th February, (as mentioned in our previous edition – Issue 14).
- 3) Request for Proposal (RFPs) for **Al-Abdaliyah Integrated Solar Combined Cycle Power (ISCC)** is extended to 17th May 2016 from 17th March 2016 (as mentioned in our previous edition – Issue 14). The ISCC project will be located in Al-Abdaliyah in Southwest Kuwait. The project involves developing an Integrated Solar Combined Cycle plant to generate power with a capacity of 280MW, including a 60MW solar energy component on Build-Own-Operate and Transfer (BOT) basis.
- 4) KAPP has extended the RFP deadline for the **Kuwait Schools Development PPP Development Program** to 14th June 2016 from 14th April 2016. Bids were originally due on 4th February 2016. As mentioned in our previous edition – Issue 14, KAPP had prequalified 3 consortiums and the groups were invited to submit a response to the Request for Proposal (RFPs) for the Kuwait Schools PPP development program covering development of 9 schools on state owned properties located in Al Asema, Al Ahmadi, Hawali and Mubarak Al Kabeer districts of Kuwait.

B. INFRASTRUCTURE AND DEVELOPMENTS PROJECTS

Kuwait plans USD 11.3 billion infrastructure deals

Kuwait's MPW has announced its plans to construct 30 major infrastructure projects worth KD 3.43 billion (USD 11.3 billion) under its current 2015/16 development plan. A total of 115 development projects are set for the next 2-years, aggregating to cost a total of KD 7.77 billion (USD 25.5 billion). Six major development projects including the Jaber causeway, Kuwait International Airport's (KIA) expansion and Mubarak al-Kabeer port will be implemented by 2017.

Kuwait prepares to tender smart city project

Kuwait's Public Authority for Housing Welfare (PAHW) is expecting to tender a project management consultancy (PMC) for the South Al-Mutlaa City. The project is estimated to be valued at USD 2.3 billion and will be built in Kuwait's Jahra governorate, to the west of the capital Kuwait City.

As mentioned in our previous edition – Issue 14, PAHW

had prequalified 7 companies for the construction and maintenance of road and infrastructure at the planned South Al-Mutlaa development project. The scheme will occupy a 104 Square-Kilometre area in Kuwait's Jahra governorate, to the west of the capital Kuwait City.

Kharafi National bids low for University construction deal

Kuwait's Kharafi National has submitted the lowest bid of KD 36.9 million (USD 122.6 million) for the contract to build utilities plant at Sabah al-Salem University in Kuwait.

In December 2015, as mentioned in our previous edition – Issue 14, Kuwait's Ministry of Education and Higher Education had awarded a joint venture of Beijing-based

China State Construction Engineering Corporation and Kharafi National KD 140 million (USD 458 million) worth contract for the university building works.

6 PMC groups bidders for South Al-Mutlaa City

- ❖ Aecom (US)
- ❖ CH2M (US)
- ❖ Fluor (US)
- ❖ Hill International (US)
- ❖ Louis Berger (US)
- ❖ WSP Parsons Brinckerhoff (Canada)

Lowest bidders for Sabah al-Salem University

- ❖ Kharafi National (Kuwait) – KD 36.9 mn (USD 123 mn)
- ❖ Egyptian Kuwait Arab Contractors Co (Kuwait)– KD 37.2 mn
- ❖ Consolidated Contractors Co (Athens) – KD 37.3 mn
- ❖ Hani Construction Co (Kuwait)– KD 38.5 mn

B. INFRASTRUCTURE AND DEVELOPMENTS PROJECTS... Contd.

MPW invited tenders for major road projects in Kuwait

The Kuwait's Ministry of Public Works (MPW) has invited bids for the construction of its major roads and maintenance projects across the country. The three road contracts have been invited were as follows;

- 1) MPW invited 5 prequalified groups to submit bids for the conceptual design and construction supervision for package 3 of the 1st Ring Road scheme. The package 3 entails the construction of 11-kilometre road, interchanges, road widening, tunneling, drainage and other related facilities.

Prequalified bidders of 1 st Ring road – Package 3	
❖	Mott MacDonald (UK)
❖	Ramboll (Denmark)
❖	Gall Zeidler (US)
❖	ILF Consulting Engineers (Austria/Germany)
❖	WSP/Parsons Brinckerhoff (Canada)
- 2) MPW invited 48 groups to bid for 3 major road projects that comprise construction and maintenance of roads and associated utilities in the following locations:
 - ❖ Southern regional road from North Kabd to Al-Salmi: The deadline for bid submission was 3rd April 2016.
 - ❖ South Surra including Damascus St., 5th Ring road and King Faisal bin Abdul Aziz road: The deadline for bid submission was 3rd April 2016.
 - ❖ Northern regional road from crossroad 82 and the Al-Salmi border check post. The deadline for bid submission was extended from 3rd April to 24th April 2016.
- 3) MPW invited bids for a contract to build, complete and maintain roads, bridges, rainwater sewages and other related facilities for Cairo Street in Kuwait City. Bid deadline was set on 5th April 2016.

The scope of work includes: 7km of at-grade roadways, 2.3km of depressed roadways in 3 reinforced concrete troughs along Cairo Street, 5 vehicular bridges over troughs, 1 elevated vehicular bridge (U-turn flyover) with 18-metres of roadways on ramps, 7 pedestrian bridges, 5 utility bridges, relocation and diversion of existing services and utilities, road and footpath surfacing, road lighting, road signs, road markings, traffic signaling, surface water drainage and associated works.

Kuwait extended deadline for airport runway deal

The Directorate General of Civil Aviation (DGCA) had extended the bid deadline for a contract for the design and construction of a new airport runway at the Kuwait International Airport (KIA) to 19th April from 8th March 2016. Bids were initially due on 7th February 2016. The runway projects comprise a key segment of package 3, phase 1 of KIA's expansion programme.

In January 2016, Kuwait's Independent Audit Bureau had rejected the award of the contract to the lowest bidder of the planned Terminal 2. Currently, the scheme is undergoing another round of government review. MPW will decide whether to send the contract for a 2nd review to the State Audit Bureau, or to send it directly to the Ministers Council.

In addition to the new terminal, a passenger support building with a capacity to handle up to 4.5 million passengers annually is also awaiting award. A joint venture of First Kuwaiti General Trading & Contracting (KFTC) and Turkey's Cengiz Insaat Sanayi Ve Ticareta submitted the lowest bid of KD 52.8 million (USD 174 million) for the contract in December 2015, as mentioned in our previous edition – Issue 14.

Kuwait to build bridge to ease traffic congestion

Kuwait's MPW is planning to tender contract worth an estimated KD 13.997 million (USD 46 million) for the construction of 670-meter long bridge linking Ta'awun and Balajat Street located in Arabic Gulf Street that aims to reduce traffic congestion. The bridge will have 4 lanes in addition to safety lanes on both sides.

C. OIL & GAS SECTOR PROJECTS

Kuwait Oil Company (KOC) awarded KD 774.3 million worth contract during the 1st quarter of 2016

State upstream operator, Kuwait Oil Company (KOC) awarded around KD 774.3 million worth contracts in total during the 1st quarter of 2016 over 39 different work requests, which is much lower than the KD 1,060.8 million in 4th quarter of 2015 with 45 contracts. Of the total 39 contracts, KOC has signed a total of KD 632 million (82% of total in Q1 2016) worth of 22 contracts in January 2016.

Major KOC contracts awarded in 1 st quarter 2016		
Contractor	Description	Contract Value (KD Million)
Schlumberger Oilfield Eastern Ltd.	Jurassic Production Facility at East Raudhatain, West Raudhatain West Sabriya and Umm Niqa	143.62
Al-Ghanim International General Trading & Contracting Company W.L.L.	Construction of remote header manifolds and associated works in South and East Kuwait areas	130.30
Sinopec International Petroleum Service Corporation	Supply of One Rig for Drilling and Workover Operations – 6 contracts	130.05
Kuwait Drilling Company	Supply of One Rig for Drilling and Workover Operations – 4 contracts	83.61
ABJ Engg & Contracting Co (Closed)	Maintenance Services for Production and Associated Facilities in NK areas	75.64
Sinopec International Petroleum Service Corporation	Supply of One Rig for Drilling and Workover Operations – 2 contracts	46.76
Burgan Co. for Well Drilling Trading & Maintenance	Supply of One Rig for Drilling and Workover Operations – 2 contracts	44.96
Heavy Engineering Industries & Shipbuilding Co (HEISCO)	Debottlenecking of GC – 17	28.82
Halliburton Overseas Ltd	Supply of Snubbing Services for Drilling and Workover operations	24.16
Schlumberger Oilfield Eastern Ltd.	Consultancy services for Technical Support & Maintenance Services for E&P Information Management Systems & Solutions	19.30
ARABIEnergetech KSC	Supply and Installation of VSM Pumps at GC-06 & GC-20 and New 20" Pipeline from GC-09 to CMM	11.25
Al-Meer Technical Services Company	Comprehensive Maintenance of Fire & Gas Detection System in North and West Kuwait Areas	9.25
Black & Veatch International Ltd.	Licensing of Technology & Related Services	5.86
Halliburton Overseas Ltd	Supply of Software Services for Drilling Engineering Reporting System Software (DERS)	4.57

Source: Kuwait Oil Company (KOC)

Kuwait tender Jurassic gas deal

Contractors are preparing to bid for the 2 reissued packages that form part of 2nd phase of Kuwait's Jurassic non-associated oil & gas reserves expansion being developed by the Kuwait Oil Company. KOC reissued tenders for 2 of the 3 contracts for the projects in January 2016. The packages that have been reissued are the West Raudhatain and East Raudhatain packages. The 3rd package to develop the Umm Niqa and Sabriya field, has not been reissued. The 3 packages is estimated to cost USD 1.5 billion. The new deadline for bid submission of the 2 reissued contracts is 23rd February 2016.

The reissued tender is open to the same 19 prequalified firms (as mentioned in one of our previous edition – Issue 13). The US-based Schlumberger had submitted the lowest bid of more than USD 4.3 billion for the 3 contracts to develop four oil and gas fields in Kuwait's Jurassic basin: East Raudhatain, West Raudhatain, West Sabriya and Umm Niqa, (as mentioned in our previous edition – Issue 14).

Kuwait's LFHO development project makes steady progress

The 1st phase of KOC's USD 4.3 billion worth contract of the planned Lower Fars Heavy Oil (LFHO) field development projects is proceeding to schedule. Temporary facilities include workshops and accommodation camps are being constructed and site preparation activities is also ongoing. The EPC element of the project is due within 52 months, after which the plant will be turned over to KOC. The client for the project is Kuwait Oil Company (KOC).

C. OIL & GAS SECTOR PROJECTS... Contd.

Kuwait's LNG import terminal to cost USD 2.9 billion

KNPC has officially announced that establishment of the planned Liquefied Natural Gas (LNG) import terminal at Al-Zour NRP is estimated to cost a total of USD 2.9 billion. The overall cost is anticipated to be USD 142 million for engineering, USD 965 million for imports, and USD 1.67 billion for construction. In March 2016, a consortium of South Korea's Hyundai Engineering and Hyundai Engineering & Construction (E&C) has been awarded USD 2.9 billion worth contract to build for the LNG scheme.

In addition, KNPC is also weighing 3 options to develop petrochemicals facility at its Al-Zour NRP. The 1st option is the integration of an Olefin plant, the 2nd is integration of an aromatics facility and 3rd option is construction of both. The petrochemical project is estimated to cost between USD 5 to 10 billion.

KNPC (as mentioned in our previous edition – Issue 14), had expected the launch of the USD 28 billion worth contract for integrating a petrochemical facility with the Al-Zour NRP in February 2016. The investment includes an estimated USD 16 billion for Al-Zour oil refinery and USD 10 billion for the large petrochemical complex and USD 2 billion will be spent for gas supply facilities.

Kuwait pushed back CFP completion date

KNPC has once again pushed back the completion date for the USD 12 billion Clean Fuel Project (CFP) to 2019 from the target date of 2017. The overhaul of the Mina Abdullah (MAB) and Mina al-Ahmadi (MAA) refineries is 40% completed as of March 2016. KNPC (as mentioned in our previous edition – Issue 14), had issued an invitation to bid on a contract worth USD 50 to 100 million to provide commissioning services as part of the CFP scheme.

Kuwaiti Petroleum Research Centre project stalls

As part of KPC 2030 strategy, its USD 120 million worth contract to build Petroleum Research Centre (KIPRC) is expected likely to stall due to budget pressures. In September 2015, firms had submitted designs for an architecture competition for the KIPRC ahead of a deadline.

The centre's goals include acquiring existing technologies and developing new technology focusing on areas that include:

- ❖ Production and refining of heavy oil
- ❖ Producing non-associated gas
- ❖ Enhanced oil recovery
- ❖ Improving the country's refining capacities
- ❖ Supporting Kuwait's petrochemical operations

Kuwait has launched 1st Biofuel production units

KNPC has launched first units to produce biofuel in the Al-Ahmadi refinery with a production capacity of over 42,000 barrels per day (b/d). The new units will increase the refinery's profits, while also reduce pollution by providing low-sulfur products. The biofuel project is part of Kuwait's development plan and the 2030 strategy objectives of Kuwait Petroleum Corporation (KPC).

D. OTHER SECTOR'S PROJECTS

MEW extended deadline for Subiya power project

Kuwait's MEW has further extended for 2nd time the bid deadline for the contract to build the 3rd phase of the Subiya power plant to increase the capacity of the existing plant by 750MW. The deadline for submission of bids is due on 26th April 2016 from 8th March 2016. Bids were originally due on 7th February 2016 from 5th January 2016.

In December 2015, as mentioned in our previous edition – Issue 14, MEW had received bids from 7 groups for the contracts to convert the Subiya power plant and Al-Zour South to combined-cycle facilities, which will boost the capacity of each plant by about 250MW.

Kuwait's KPC and UK's BP signs deal

The UK's BP and Kuwait Petroleum Corporation (KPC) has signed a framework agreement, paving the way for joint opportunities for investment and cooperation in future oil & gas, trading and petrochemical ventures both inside Kuwait and globally. The deals were signed by BP executive officer and KPC chief Executive Officer.

Kuwait, Mexico signs MoUs deal

The Kuwaiti and Mexican government has signed several agreements and Memorandum of Understanding (MoUs) that aims to strengthen bilateral ties between the 2 countries. Part of the signed agreement includes:

- ❖ MoU on the foreign affairs level signed with First Deputy Prime Minister and Minister of Foreign Affairs of Kuwait and Mexican Foreign Secretary
- ❖ Several deals signed on promoting educational ties, tourism, healthcare, and agreement on cultural and technical cooperation
- ❖ Agreements on energy cooperation, aviation service agreement, and encouraging direct investments

The deals were signed in the presence of HH the Amir along with President of the United Mexican States, HH the Crown Prince and HH the Prime Minister held at Bayan Palace.

Kuwait, Malaysia signs trade agreement

The Kuwaiti and Malaysian government has signed a trade agreement as a step to boost bilateral ties and broadening cooperation in all fields aimed for the good of the 2 countries and their people. The deal were signed by First Deputy Prime Minister and Foreign Minister and his Malaysian counterpart.

Kuwait signs MoU deal with African Union (AU) Commission

The Kuwaiti and AU Commission has signed Memorandum of Understanding (MoU) aims to enhance and equip the Medical Centre at the AU Commission Headquarter. Kuwait will contribute USD 5 million divided into 2 components:

- ❖ To enhance the Medical services department
- ❖ To support the AFRICAN centres for Disease Control. An inaugural event will be held on October 2016, once procurement and installation of the new equipment is completed, The project is expected to be complete by 30th October 2018.

Kuwait, signs MoU deal with Georgia

The Kuwaiti and Georgian government has signed Memorandum of Understanding (MoU) aims to strengthen its bilateral cooperation, boosting diplomatic ties, mainly on mutual visa exemption for holders of diplomatic and special passports.

Kuwait, signs oil well MoU with Pakistan

Kuwait Petroleum Company (KPC) and Pakistani Ministry of Petroleum and Natural Resources has signed a Memorandum of Understanding (MoU) aims to strengthen its bilateral ties to develop a number of oil wells in Pakistan. The work will be undertaken by its international subsidiary Kuwait Foreign Petroleum Company (KUFPEC).

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