

## Business

## NBK Economic Report

# Kuwait project activity dips amid delays and supply chain constraints in 3Q21

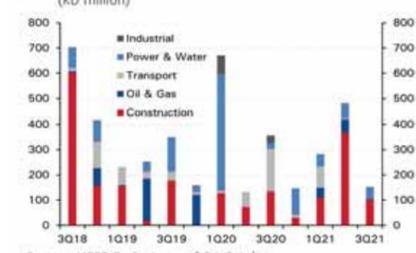
## Total value of projects awarded in 2021 reaches KD 916 million

KUWAIT: The total value of awarded projects in Kuwait fell to KD 152 million (-68 percent q/q; -57 percent y/y), according to MEED projects. This brings the total value of projects awarded in 2021 to a cumulative KD 916 million so far. With the fourth quarter underway already, the full-year figure is likely to fall a long way short of the KD 2.4 billion earlier projected by MEED. The decline is due to delays in government tendering and approvals amid cutbacks in capital spending as well as pandemic-linked supply chain constraints that have led to increases in the cost of materials and labor.

Construction sector awards came in considerably weaker than in the previous quarter (-72 percent q/q). It was, though, the strongest performing sector, both in 3Q21 with KD 102 million worth of projects awarded and in the year so far with 63 percent of all projects falling in this sector. KOC and KERP's Excavation Transportation & Remediation Project: Zone-3, worth KD 75 million, was the largest project awarded during the quarter, followed by PAHW's Al-Mutlaa City: Soil Works contract, worth KD 26 million. Several project awards are expected in 4Q21, including the PAHW's Public Buildings at South Abdullah Al-Mubarak: Blocks 1-6 (KD 96 million) and a portion of the Sabah Al-Ahmed Township project (KD 75 million).

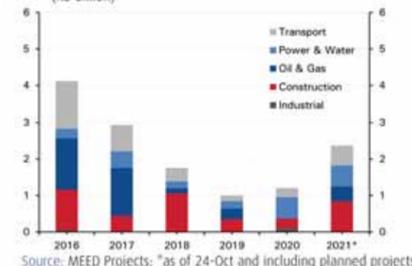
The power and water sectors also witnessed a slowdown in project activity in 3Q21, with awards

Chart 1: Project awards (quarterly) (KD million)



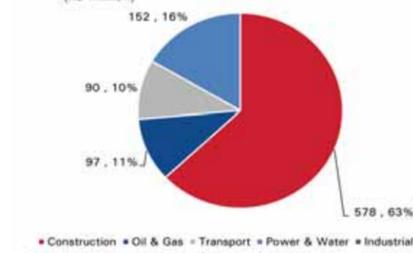
Source: MEED Projects, as of 24-October

Chart 2: Project awards (annual) (KD billion)



Source: MEED Projects, \*as of 24-Oct and including planned projects

Chart 3: 1Q21-3Q21 project awards by sector (KD million)



Source: MEED projects, as of 24-October

falling 17 percent q/q to KD 47 million. Two contracts under the PAHW's Extension & Maintenance of Medium & Low Tension Cable Networks project were awarded. The fourth quarter of the year should see KD 431 million worth of projects awarded, including several contracts related to the MEW's Fresh Water Pipeline project (KD 105 million) and smaller scale projects in the power sector worth around KD 258 million.

No projects were awarded in the transport sector in 3Q21. This is the second consecutive quarter of minimal activity, following 2Q21's outturn of KD 5

million. Looking ahead, KD 452 million of transportation awards, including two parts of MPW's Northern Regional Road (KD 189 million) and the Crossroads for New Passenger Terminal 2 (KD 120 million) are expected by the end of 2021.

Activity in the oil and gas sectors also slowed significantly. Total awards declined by 93 percent q/q to KD 4 million, which was essentially KOC's Installation of Flow Lines for Producer Wells project. Kuwait's oil and gas sector has KD 308 million in awards planned for 4Q21, including KOC's JPF 4 & 5 Production Facilities (KD 294 million) and several smaller scale

oil projects. However, given recent trends, we could see this project pushed back into early 2022.

Lastly, Kuwait's chemical sector, which has been quiet for the past few years, should finally see some movement, with the contracts expected for the Al-Zour Petrochemical Complex (KD 2.85 billion) by Kuwait Integrated Petroleum Industries Company (KIPIC). This is not likely before early 2022, though.

MEED Projects sees KD 1.5 billion worth of projects awards coming through in 4Q21. For 2021 as a whole, however, project activity is likely to be softer than initially expected.

## KFH: For first time in Kuwait, smart watches to perform transactions through ATMs

KUWAIT: For the first time in Kuwait, Kuwait Finance House "KFH" launches a service using smart watches and mobiles to perform banking transactions through ATMs at KFH branches and KFH.Go smart branches. KFH Group Acting Chief Retail Banking and Private Banking Officer, Khaled Yousif Al-Shamlan said that KFH has achieved and added another success to its records in digital banking world. He noted that customers can now benefit from a variety of banking services through ATMs without using cards as these transactions are performed through available digital portfolios: KFH Wallet, Samsung Pay, Garmin Pay and Fitbit Pay.

Al-Shamlan indicated that the banking services which can be performed through digital portfolios include cash withdrawal, cash deposit, cheque deposit, inter-accounts transfers, transfers to KFH beneficiaries, transfers local and foreign banks, donations to charity institutions, cheque book request, account statement request, opening additional new account and investment deposits. He added that digital portfolios services through ATMs are pro-

vided to customers free of charge.

He indicated that this unique service affirms KFH pioneering position in providing innovative banking services and financial solutions that fulfil customers aspirations and enhance their banking experience. The service uses the most modern fintech means. The service reflects KFH major success in implementing the digitalization strategy which has come a long way in strengthened KFH leading position worldwide.

### A variety of e-financial solutions

KFH provides customers with a variety of distinguished e-services which can be applied round the clock. This package includes online personal finance request service, opening new accounts for customers without visiting the branch, endorsement by e-signature through Haweyati application, local and foreign money transfers, investment deposits, opening gold account, buy/sell gold, cheque book request, instant printing of ATM card through QR Code, cheque deposit, follow up finance liabilities and installments, view investment plans, follow up account balances and deposits, spot trans-



Khaled Al-Shamlan

## Glasgow: Industrial canal's climate fighting future

GLASGOW: Glasgow was a vital cog in the machine of Britain's Industrial Revolution, which brought the baleful impact of carbon emissions and eventually climate change to the world. Today, the venue for the COP26 environmental summit is home to a pioneering project to counteract the effects of planetary warming, centered on Glasgow's Forth and Clyde Canal.

Coinciding with COP26, its managers have launched "Europe's first 'smart canal'" to combat flooding in what is already Britain's wettest city. According to Peter Robinson, chief engineer of Scottish Canals, climate modeling forecasts that Glasgow's rainfall will rise by another third in the next 50 years.

But riding a canal barge to present the new project, he told AFP: "We've applied 21st-century thinking to an 18th-century asset." In anticipation of heavy rain, computer systems can

automatically adjust the canal's levels to divert water to the Firth of Forth and sea beyond, east of Glasgow.

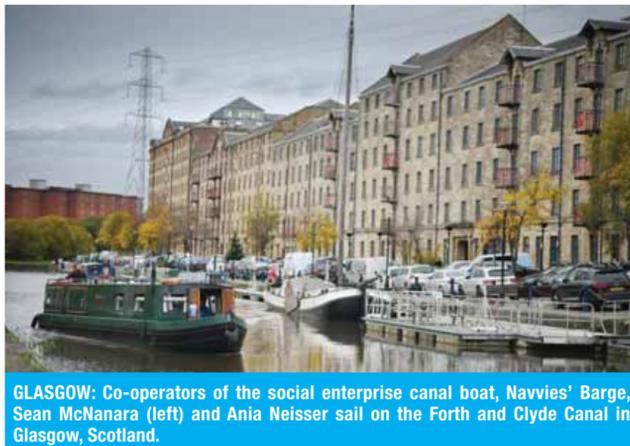
The spare capacity created can then retain some of the rainwater to prevent flooding of the city center, about 15 minutes away by foot. The technology-driven transformation is a far cry from the canal's part in Glasgow's rise, fall and more recent rebirth.

It was the artery that turned Glasgow into the "second city" of Britain's Empire, after London, before the city fell on hard times after World War II. "Two hundred years ago timber was coming through here, stone, coal were coming through here," Robinson said.

Scottish engineer James Watt, a graduate of Glasgow University, was one of the pioneers of the Industrial Revolution when in 1765 he transformed the power and efficiency of the steam engine.

The idea came to Watt while he walked in one of the city's parks, recalled Ewan Gibbs, an expert in economic and social history at Glasgow University today. "We could loosely say that was the first point of the modern carbon economy," he said.

The canal opened in 1790 and was used to transport coal by barge to Glasgow from Scotland's largest coal-



GLASGOW: Co-operators of the social enterprise canal boat, Navvies' Barge, Sean McNanara (left) and Ania Neisser sail on the Forth and Clyde Canal in Glasgow, Scotland.

field in nearby Lanarkshire. Steel mills proliferated alongside it with the 19th century growth of heavy industry, shipbuilding and finance. But as that industry fell away after the war, urban squalor took over and canals like the Forth and Clyde became "completely derelict, they were full of shopping trolleys", commented Amelia Morgan, director of safety at Scottish Canals.

The 57-kilometre (36-mile) Forth and Clyde itself, running off the River Clyde, acted as a "barrier" between

deprived areas to its north and the far more affluent city center to the south, she said. It lacked bridges, leading to long diversions for residents wanting to go from north to south.

But urban regeneration since the 1980s has helped revitalize the city, and newly bridges connect the canal's two halves today. "We have repurposed this canal," Robinson said. "It had a purpose that helped to create Glasgow and now it has another purpose that is making it sustainable." —AFP

## Sri Lanka to tax car crashes in drastic budget

COLOMBO: Sri Lanka slapped a tax on road accidents in a drastic austerity budget unveiled Friday as the country faces a major foreign exchange crisis. Finance Minister Basil Rajapaksa said vehicle accidents will be taxed under new revenue proposals to keep the budget deficit at 8.8 percent of GDP in 2022, down from 11.1 percent this year.

"It is proposed to impose a fee on vehicles meeting with accidents," Rajapaksa told parliament. "Through this initiative, it is expected to reduce the number of motor vehicle accidents."

He did not give details of the crash tax. Sri

Lanka's roads are among the most dangerous in the world with over 3,000 traffic fatalities and some 25,000 seriously injured every year.

Rajapaksa admitted that the country was facing a serious crisis with foreign reserves at \$2.3 billion, down from \$7.5 billion when his brother Gotabaya took over as president two years ago.

"We have to accept that the increase in prices is due to a shortage of goods, the imposition of import restrictions, the overreliance on imports, the depreciation of the rupee together with the failure to adequately encourage manufacturers," he said. There were no measures to ease the import ban on a host of goods, including vehicles, spares, tiles and even some essential food imports, imposed in March last year. However, Rajapaksa increased taxes on cigarettes, liquor and slapped a one-off tax on companies earning profits of over 2,000 million rupees (\$10 million) and raised the VAT on financial services from 15 to 18 percent.

He also announced raising the retirement age of public servants from 60 to 65 years, a move that will delay the payment of terminal benefits to thousands of employees and thereby reduce government spending for the next five years. The budget deficit of 1.628 billion rupees (\$8.14 billion) will be bridged with borrowings, including \$5.08 billion in foreign borrowings, according to official figures.

Central Bank officials have said the country is facing its worst foreign exchange crisis since the advent of a free economy in 1978. Ratings agency Moody's downgraded Sri Lanka's foreign debt rating last month. The decision was fuelled by the absence of "comprehensive financing" to make looming debt repayments, according to Moody's. Sri Lanka's economy shrank a record 3.6 percent last year because of the COVID-19 pandemic. The central bank expects growth of 4-5 percent this year with the gradual reopening of the economy and the roll-out of a vaccine program. —AFP

## APEC to cut vaccine tariffs, mulls US hosting offer

WELLINGTON: Pacific Rim leaders agreed to cut tariffs on COVID-19 vaccines at a virtual summit yesterday, but failed to deliver meaningful movement on climate change and reacted coolly to US efforts to re-engage with the region. The annual Asia-Pacific Economic Cooperation (APEC) summit brought together leaders from 21 member economies, including US President Joe Biden and his Chinese counterpart Xi Jinping, in a bid to chart a path to pandemic recovery. New Zealand Prime Minister Jacinda Ardern said the group discussed an economic "reset" in the wake of the coronavirus crisis. "APEC leaders are determined to work together to defeat COVID-19," she said.

"We are focused on driving a coordinated economic response to the biggest downturn in 75 years, creating new models of growth and responding to climate change." The meeting's major outcome was a commitment to slash tariffs on vaccines and other pandemic-related medical supplies to streamline the international response to the deadly health crisis.

The leaders also agreed to push for a freeze on increases to fossil fuel subsidies as part of a plan to make the pandemic recovery environmentally sustainable. But the pledge, first raised by APEC in 2010, did little to meet the soaring rhetoric of regional leaders in the build-up to the summit, who had talked up transitional change toward a green future. Ardern said ahead of the declaration that she would have liked to see fossil fuel subsidies scrapped completely. "If the world is not ready to take bold action on climate change, then the world must be ready for the disastrous results of climate change," she said in the lead-up to the leaders' meeting.

Climate Council of Australia ecologist Lesley Hughes said declarations without tight timelines and enforceable penalties were "empty words".

### Rising tensions

The summit was held against the backdrop of growing competition between the United States and China, the world's top two economies and the region's preeminent military powers. With tensions between Washington and Beijing building over Taiwan, human rights and trade, Biden and Xi are set to hold a virtual meeting on Monday, the White House announced. "Of course, as APEC economies, we would welcome the ongoing dialogue between APEC members," Ardern said when questioned about the talks. Biden used the APEC meeting to discuss "ways to unleash the economic power of the region and to deepen US economic engagement throughout the Indo-Pacific", the White House said in a statement.

"President Biden reaffirmed our interest in serving as a strong, reliable partner to APEC economies as we pursue sustained and inclusive growth," it said. China last month made a record number of air incursions near Taiwan, a self-ruling democracy claimed by Beijing, prompting Washington to stress it would help Taiwan defend itself if needed. On Thursday, Xi warned against a return to Cold War-era divisions in the Asia-Pacific, in remarks to a virtual business conference on the sidelines of the APEC summit.

"Attempts to draw ideological lines or form small circles on geopolitical grounds are bound to fail," he said. "The Asia-Pacific region cannot and should not relapse into the confrontation and division of the Cold War era." Biden and Xi have talked by phone twice since the veteran Democrat moved into the White House in January. Biden had hoped to meet Xi at a recent Group of 20 summit in Rome, but the Chinese leader has not travelled since the start of the COVID-19 pandemic. —AFP