



UAE: Infrastructure investment supported by the construction sector

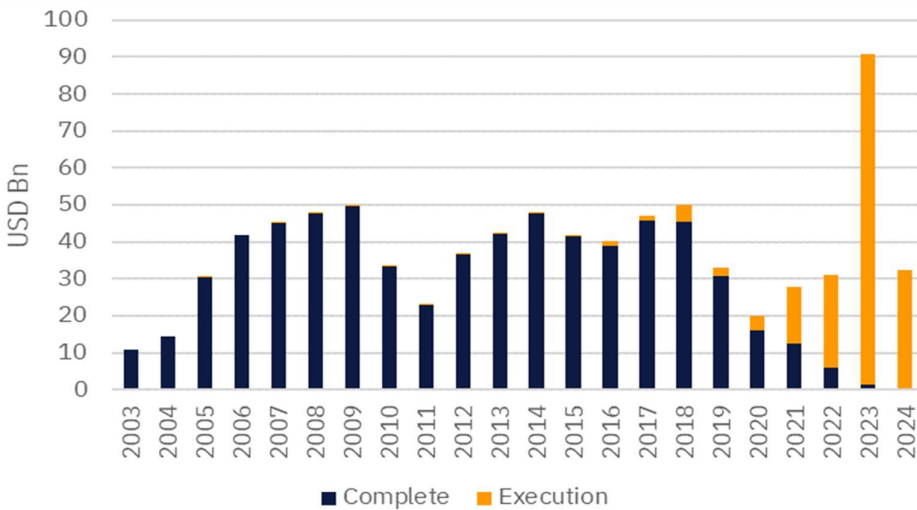
Sector economics | 2 July 2024

Infrastructure investment likely to have supported UAE growth

The third note in our current series on infrastructure investment spending considers the case of the UAE. Our first note highlighted that at a global level the need for investment is being driven by the clean energy transition, increased regionalisation and digitisation. While the second suggested that infrastructure spending, in the case of Saudi Arabia, was overwhelmingly related to the need to diversify away from hydrocarbons. How do things compare in the UAE?

At a macro-level, as is the case in Saudi Arabia, infrastructure projects are likely to have supported UAE GDP growth in recent years. The value of contracts awarded rose sharply in 2023, reaching a series peak at a total value of just over USD 90bn.

Value of projects by year of award



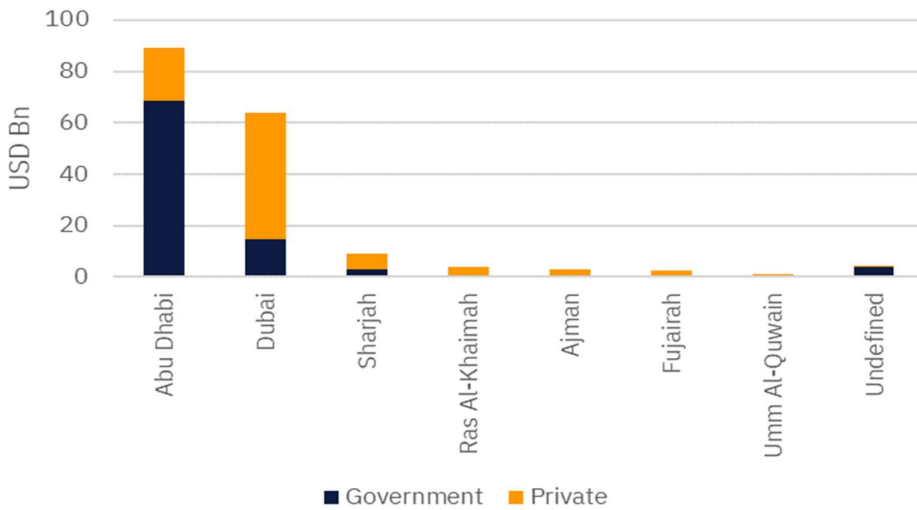
Source: MEED, Emirates NBD Research

MEED data suggests that, across all years of award, there is currently USD 177bn worth of projects in execution in the UAE. Spending is heavily concentrated in the two largest emirates, Abu Dhabi and Dubai, with USD 89bn and USD 64bn worth of spending on projects currently in execution, respectively. These two emirates



account for 86% of all projects in currently in execution, with the next largest share, in the emirate of Sharjah, accounting for 5%.

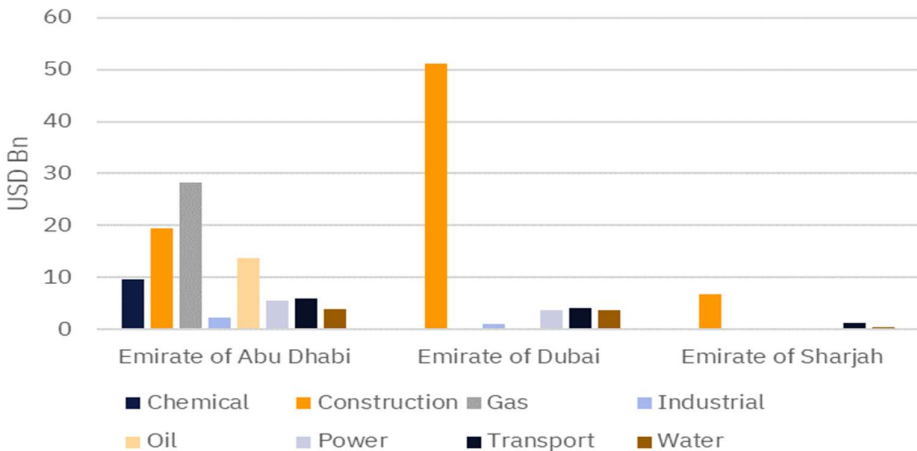
Value of projects in execution, by source of funding and Emirate



Source: MEED, Emirates NBD Research

In addition to current projects being highly concentrated in Abu Dhabi and Dubai, spending is also heavily focused on the construction sector, with these contracts accounting for 48% of the total value of projects in execution. This compares to just over 30% in KSA. The construction sector features prominently in the two largest emirates, although the sector’s role in Dubai is outsized, while the distribution across sectors is more even in Abu Dhabi.

Value of projects in execution, by Emirate and sector



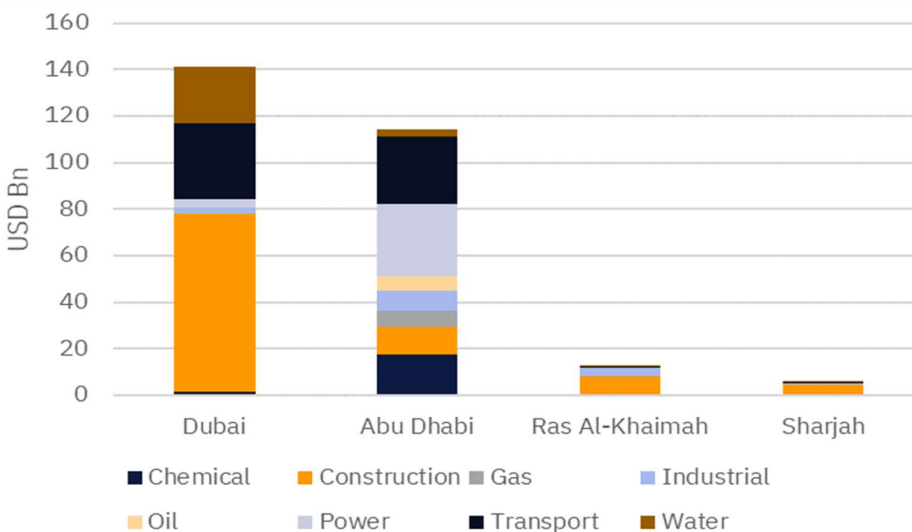
Source: MEED, Emirates NBD Research

In aggregate, the public and private sectors account for roughly equal shares of the total value of projects currently in execution. However, the distribution between public and private spending varies significantly between both sectors and emirates. Given Dubai’s construction sector focus – the projects of which are predominantly funded by the private sector – the emirate has a significantly higher share of private sector projects than public. In contrast, gas and oil sector projects, which are largely based in Abu Dhabi, are overwhelmingly funded by the public sector.

Construction spending also dominates the pipeline of planned projects

In addition to the value of projects that have been awarded and are currently in execution, there is a sizeable pipeline of planned projects in the UAE. The value of projects in planning stages is roughly USD 283bn, based on MEED data. Over 65% of these projects are however in a design or study phase, with a significantly smaller share in more advanced stages, meaning that potentially not all these projects will make it to the execution phase. Construction is once again the dominant sector amongst projects in planning phases, accounting for over 36%.

Value of projects in planning stages, by Emirate



Source: MEED, Emirates NBD Research

The emirates of Dubai and Abu Dhabi once again account for the largest shares of projects in planning stages. Construction remains the most important sector in Dubai, followed by transport and water sector projects. In Abu Dhabi the power sector has the largest share of the value of projects in planning stages, dominated



by the planned construction of four more nuclear reactors under the Barakah One project, worth USD 20bn. The next largest sectors, for planned projects in Abu Dhabi, are the transport, chemical and construction sectors. Ras Al-Khaimah and Sharjah have significantly smaller project pipelines, but construction accounts for a significant share there too.

In addition to the projects which are currently defined by MEED as being in planning stages, there are also master projects that have received the greenlight to proceed - but that do not yet have detailed or meaningful plans for all the child-projects that fall under them. This means that the potential pipeline of projects is bigger than the picture painted by looking solely at the value of projects in planning phases. For example, Palm Jebel Ali is technically in execution, but as the bulk of individual child-projects have not yet been defined, a large share of the projected spend is currently budgeted for but unallocated (USD 36bn). Other major projects in this category include Emaar's The Oasis project (USD 19.5bn), Dubai Holding's Dubailand Mixed Use development (USD 18.4bn), the ADNOC Offshore Upper Zakum development (USD 16bn) and Masdar City (USD 11.8bn). Across the UAE, this group of projects is worth just over USD 386bn, with over 81% of the value of these projects in the construction sector.

Adding together projects in planning phases, with budgeted but as-yet unallocated projects, leaves us with a potential UAE project pipeline of almost USD 670bn.

Value of projects, by project status

	Project value (USD Bn)			Total
	In execution	Budgeted but unallocated	Planned	
Chemical	9.84	3.46	22.33	35.64
Construction	85.94	312.92	102.57	501.43
Gas	28.88	10.68	7.12	46.67
Industrial	4.04	0.02	14.93	18.98
Oil	16.93	31.86	9.78	58.57
Power	10.67	7.88	34.87	53.42
Transport	12.59	18.20	62.69	93.47
Water	8.33	1.00	28.53	37.86
Total	177.21	386.02	282.81	846.04
Construction share in total	48%	81%	36%	59%

Source: MEED, Emirates NBD Research

UAE construction projects dominated by development of the Palm Jebel Ali

Given the construction sector's outsized role in UAE infrastructure investment projects, it is worth evaluating if there are any noteworthy individual projects. The top ten largest construction projects currently in either a planning or budgeted but unallocated phase, by value, are highlighted in the table below. Top of the list is the development of the Palm Jebel Ali, with over USD 36bn of construction in the budgeted but unallocated phase. This development should include residential property, hospitality and commercial offerings. This is followed by several Emaar residential property developments, Dubailand and Masdar City.

Value of major construction projects in the pipeline

Project	Emirate	Project owner	Type of development	Project value (USD bn)	Project status
Nakheel - Palm Jebel Ali	Dubai	Private	Mixed-Use	36.29	Budgeted but unallocated
Emaar Properties - The Oasis	Dubai	Private	Residential	19.47	Budgeted but unallocated
Dubai Holding - Dubailand Mixed Use Development	Dubai	Private	Mixed-Use	18.42	Budgeted but unallocated
Emaar Properties - The Heights Country Club	Dubai	Private	Residential	15.00	Design
Masdar - Masdar City	Abu Dhabi	Government	Mixed-Use	11.84	Budgeted but unallocated
Emaar Properties - Grand Club Resort	Dubai	Private	Residential	11.00	Design
Nakheel - Dubai Islands (Deira Islands)	Dubai	Private	Dredging, Reclamation	9.20	Budgeted but unallocated
Limitless - Downtown Jebel Ali	Dubai	Government	Mixed-Use	8.54	Budgeted but unallocated
TDIC - Saadiyat Island	Abu Dhabi	Private	Mixed-Use	8.41	Budgeted but unallocated
Q Holding (Al Qudra Holding) - Danet Abu Dhabi	Abu Dhabi	Government	Mixed-Use	8.37	Budgeted but unallocated

Source: MEED, Emirates NBD Research

Outside of construction, the transport, power and water sectors are also a significant source of planned infrastructure spending across the UAE in coming years. In Abu Dhabi, large transport projects include the Etihad rail network project, KIZAD port, and Abu Dhabi metro, while the development of Al Maktoum airport and the metro blue line are also significant transport sector projects taking place in Dubai. The most significant water sector project is the planned construction of the Dubai strategic sewerage tunnel, with over USD 17bn in planning phases.

Given the mix of projects, it would appear that the global trends of decarbonization, regionalisation and digitisation, are not the necessarily the primary drivers of infrastructure spending in the UAE.

That said, there are several transition or clean energy projects planned for the UAE, including four more reactors under the Barakah One nuclear power plant development, a number of solar parks, as well as a variety of green or low-carbon hydrogen plants. The details of the largest of these projects are provided in the table below.



Value of transition or clean-energy projects in pipeline

Project	Emirate	Project owner	Type of development	Project value (USD bn)	Project status
Barakah One - Barakah Nuclear Power Plant: Reactors 5-8	Abu Dhabi	Government	Nuclear power plant	20.00	Study
Barakah One - Barakah Nuclear Power Plant: Master project	Abu Dhabi	Government	Nuclear power plant	2.95	Budgeted but unallocated
DEWA - MBRM Solar Park: Master project	Dubai	Government	Solar Power Farm	4.43	Budgeted but unallocated
DEWA - MBRM Solar Park: Future projects	Dubai	Government	Solar Power Farm	2.90	Study
AD Ports/TAQA - 2 GW Solar Farm	Abu Dhabi	Government	Solar Power Farm	2.00	Study
EWEC - 1500MW Khazna Solar IPP	Abu Dhabi	Government	Solar Power Farm	1.13	Main Contract Bid
Uniper/Masdar - Green Hydrogen Plant in UAE	Abu Dhabi	Government	Hydrogen plant	1.00	Study
ADNOC/BP/Masdar - Low Carbon Blue Hydrogen Project	Abu Dhabi	Government	Hydrogen plant	1.00	Study

Source: MEED, Emirates NBD Research

Furthermore, there may in the longer term be a broader push for investment into infrastructure related to increasing regionalisation and digitisation, not currently captured in the available data.

Looking at the case for future infrastructure spending related to growing regionalisation, it is worth noting that the UAE is seeking to expand both its domestic manufacturing capabilities, as well as further entrench its position as a regional trade hub. The government is seeking to support domestic manufacturing, with the roll-out of Operation 300bn, a 10-year strategy, driven by the Ministry of Industry and Advanced technology (MoIAT), which aims to expand the contribution of the industrial sector from AED 133bn to AED 300bn by 2031. In addition, a significant number of Comprehensive Economic Partnership Agreements (CEPAs) have also been signed or are in currently in negotiation. The preferential trade terms included in these CEPAs should further allow domestic manufacturing companies to capitalize on the UAE's enviable location at the meeting point of three continents.

Increasing digitization also looks to be a potential source of infrastructure spending in years to come. While there are several data centres either currently in execution or planning stages, the absolute value of these remains small relative to other projects. However, the UAE has signaled its intention to develop its IA capabilities, as evidenced by Microsoft's recent USD1.5bn investment into G42, which could lead to greater investment in digital infrastructure.

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.