

## 2022: The awakening of the demand demons

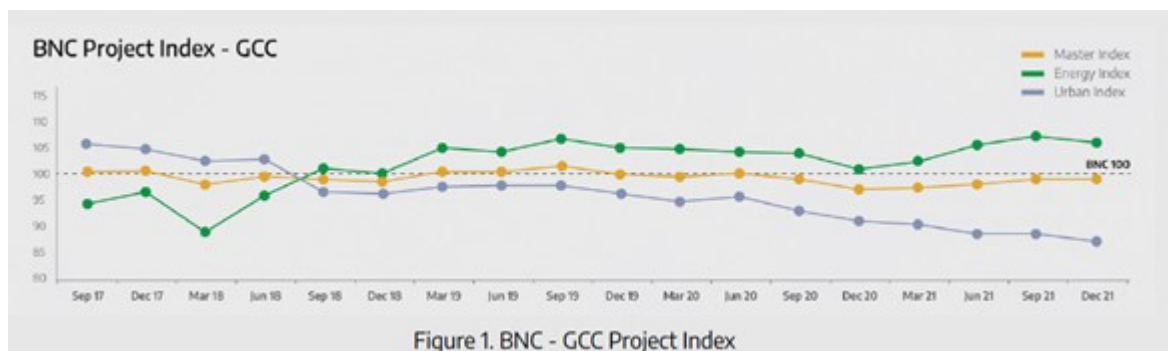
**Avin Gidwani, CEO of BNC Network outlines the market conditions in the GCC**



Many HVAC suppliers still have balance sheets that are positive and cash flows that are manageable - the core issue remains the waning backlog on their order books. While some businesses grapple with critical supply chain issues, the problem is still operational, not existential and poses a new dynamic that creates opportunities for businesses that manufacture locally, maintain stocks and know how to hedge their bets on raw materials as they bid work.

The region imports from almost every country in the world, guaranteeing that materials are almost always available - not necessarily the material of preference, but there are almost always viable options available to keep the project trains running. While the supply chain doomsday commentary may have you believe otherwise, the challenge for construction businesses in the region is clearly still demand and not supply.

Demand is a set of unpredictable demons that appear to be awakening. The fear is always that they could be feigning or just be stretching before falling back asleep. The more likely scenario would be that the demand demons are awake and just lazing as they carefully and cautiously consider the chaotic geopolitical world around them.



At the beginning of 2022, the GCC BNC Urban Index fell by 9% over the last two years, bringing the index to 12.6% below the BNC 100 line (which indicates the average urban project market size from 2015 to 2018). This contraction has not been felt evenly by all companies because it is dependent on various factors like where they stand in the project cycle, their geographical business mix, and their energy vs. urban projects sector-mix. This is particularly significant because while the urban sector contracted over the course of 2021, the energy sector expanded by 5.2%.

In the UAE, the demand demon is eager to start a new day and the country has seen three consecutive quarters of Q-on-Q growth in project awards and new project announcements have followed the same trend. As for Saudi Arabia, it has multiple demand demons - the one in Riyadh is sprightly, eager and raring to go, while the ones in the Western Province, which have a long, hard and exciting journey ahead, are still pondering and planning their path. In the East of the Kingdom, the demon is still in hibernation.

Qatar's demon resides in its North Sea and awoke in 2021 with an almost insatiable appetite as the country saw a record streak of project announcements and awards, almost exclusively in the hydrocarbon sector. In Kuwait and Oman where the demand demons were all but dead, there is finally a rumbling of activity in the energy sector, which one can only hope is the tossing and turning before demand rises and shines. Meanwhile, in Bahrain, the demon's urban appetite doubled over the year, settling at close to a billion dollars in new projects.

With this lay of the land, putting aside global politics and pandemics, there is still reason to be cautiously optimistic about the awakening of a GCC market that will consume more than you can produce.

### About BNC Network

BNC (Building and Construction) Network, is the flagship construction market digitization initiative of Industry Networks FZC. BNC was launched in 2003 to create a digital network that connects the construction industry in creative new ways to increase transparency and efficiency. Used worldwide by thousands of industry professionals every day, BNC offers a state-of-the-art project-sales CRM system pre-integrated with its project database - the largest in Middle East & Africa. With over 29,000 live construction projects estimated at US\$ 11.1 trillion, BNC's coverage spans 72 countries and 5 sectors - the urban, oil & gas, transportation, utilities, and industrial sectors. BNC publishes a quarterly construction report called the BNC Projects Journal and the BNC Bulletin, a daily construction newsletter.

### About the author

Avin Gidwani, the CEO of BNC, is a serial entrepreneur who has worked in leadership capacities within the construction industry for over 20 years. He launched BNC in 2003 with the vision to create a digital network that connects the construction industry in creative new ways to increase transparency and efficiency. Returning to the business after a decade in 2014, he transformed BNC into a technology business. With Avin as its lead architect, BNC created its state-of-the-art project-sales CRM system pre-integrated with its project intelligence database - the largest in the Middle East and Africa.

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