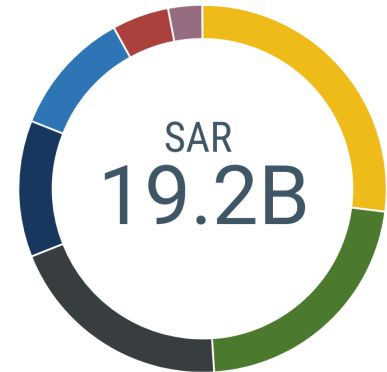
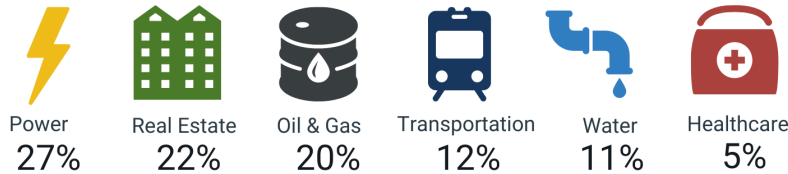




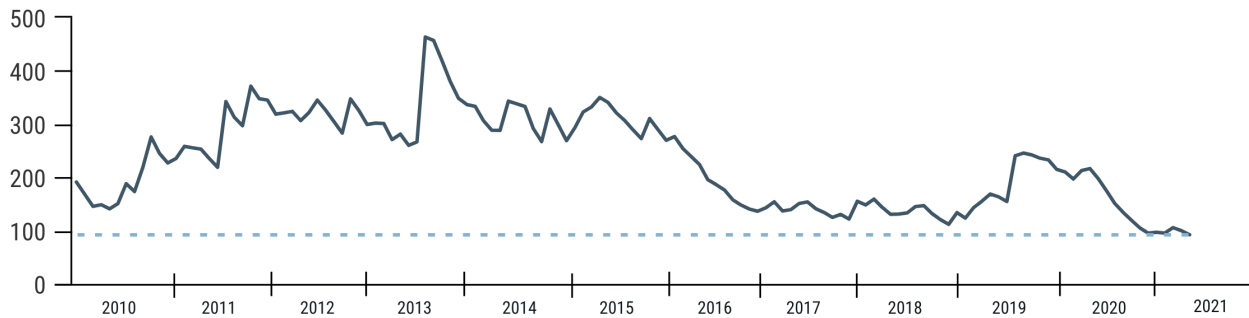
# USSBC Contract Awards Index First Quarter 2021

## Contracts Awarded by Sector



Most of the awarded contracts in Q1 were in the power, real estate, and oil & gas sectors which accounted for 69 percent of the total value of contracts. The transportation and water sectors accounted for 12 percent and 11 percent, respectively, while the healthcare and industrial sectors accounted for the remaining 8 percent of awarded Q1 contracts.

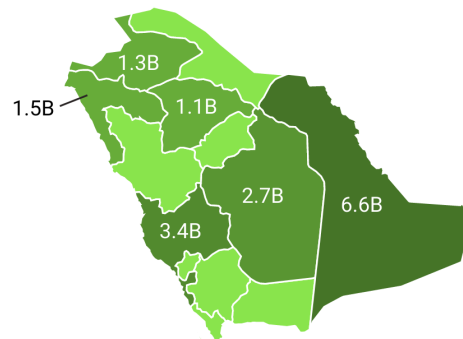
## Contract Awards Index Over Time



The USSBC Contract Awards Index declined to 92.3 points as the construction sector continues to face financial and budgetary constraints, which has kept the Index below the 100 point threshold.

## Contract Awards By Province

Eastern Province accounted for more than a third of the value of awarded contracts (34%) in Q1, regaining its status as the top province for construction awards. Key clients included the Ministry of Housing and Saudi Aramco. Makkah Province saw the second highest value of contracts awarded in Q1 (17%), including construction of the 300MW Jeddah solar plant. Riyadh Province saw the third highest value (14%) followed by Tabuk Province (8%) where The Red Sea Development Company awarded SAR1.3 billion (\$348 million) in projects across the real estate, transportation, and hospitality sectors.



\*All monetary values are in Saudi Arabian Riyals. \$1 = SAR3.75



## Highlights

1. The total value of awarded contracts during the first quarter reached SAR19.2 billion (\$5.1 billion), marking a 58 percent decline compared to last year. Conversely, the value increased by 20 percent compared to last quarter.
2. The USSBC Contract Awards Index declined to 92.3 points as the construction sector continues to face financial and budgetary constraints, which has kept the Index below the 100 point threshold.
3. The power sector registered the highest value of awarded contracts with approximately SAR5.2 billion (\$1.4 billion).
4. The real estate sector ended in the second spot as the value of awarded contracts reached approximately SAR4.3 billion (\$1.1 billion).
5. The oil & gas sector garnered the third highest value with SAR3.9 billion (\$1 billion) worth of awards.

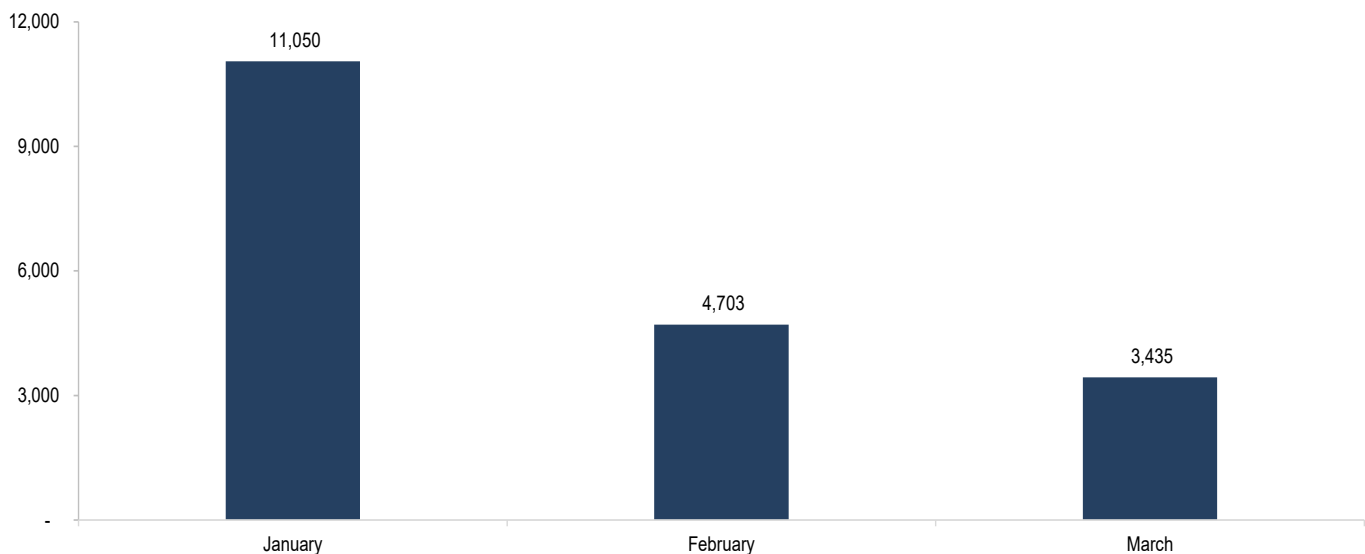
## Key Takeaway:



*The Saudi construction sector is in the midst of a rebound as the value of awarded contracts climbs out of a difficult 2020 that witnessed the lowest values in over a decade. Looking ahead, the macroeconomic environment continues to improve across a number of categories that should support stronger investments for the public and private sectors.*



### Value of Awarded Contracts During Q1 2021 (SAR Millions)



Source: MEED Projects, public outlets, government data, USSBC

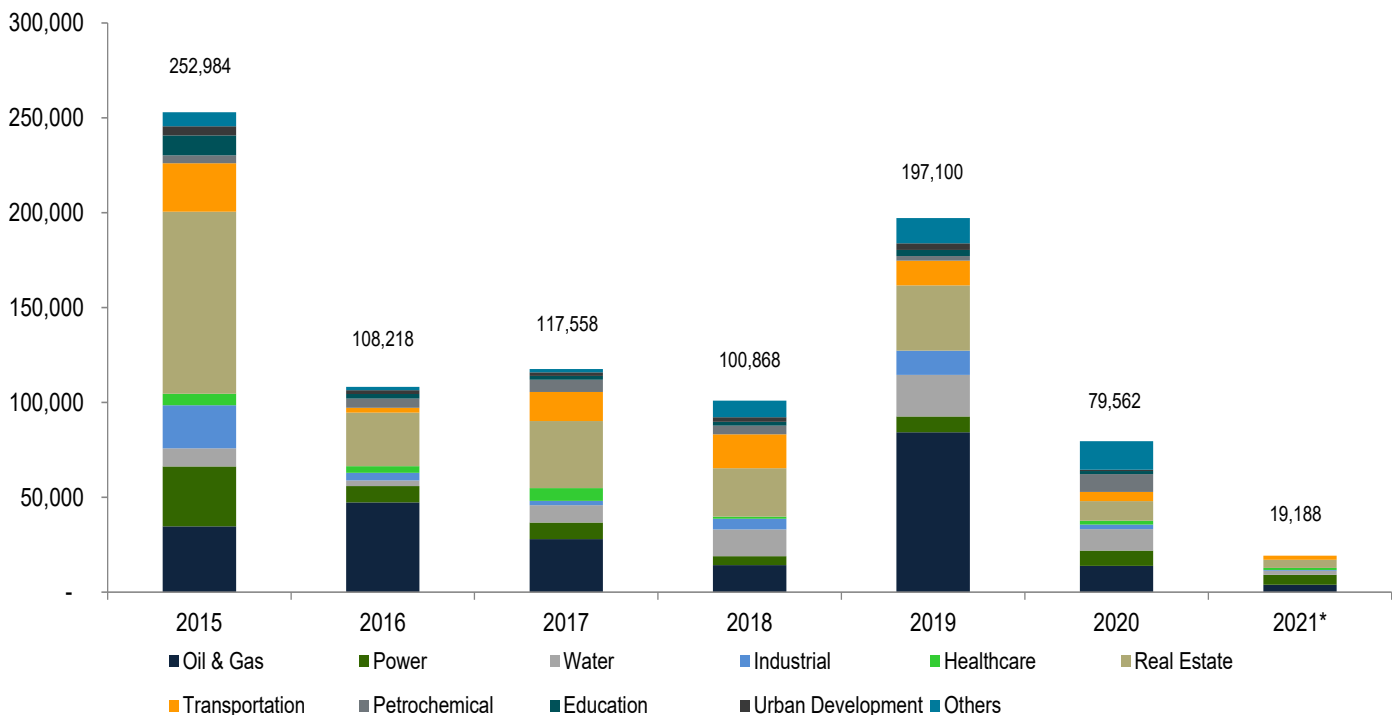


## Overview of Awarded Contracts During Q1 2021

The construction sector continues to witness an increase in the value of awarded contracts as it grew to SAR19.2 billion (\$5.1 billion) during Q1'21, reflecting a 20 percent increase compared to last quarter. On an annual basis, the value of awarded contracts lagged by 58 percent compared to Q1'20. The economic backdrop during the first quarter was largely influenced by the Kingdom's decision to cut oil production last February in an effort to buoy global oil markets, which led to an oil GDP decline of 11.7 percent for the quarter and a 3 percent decline in total GDP on an annual basis. Conversely, non-oil GDP witnessed a 2.9 percent increase during the same period and 4.9 percent growth compared to last quarter. The reemergence of consumer spending and bank lending to the construction sector coupled with continued spending on housing projects aided in the Kingdom's non-oil sector recovery.

The SAR19.2 billion (\$5.1 billion) in awarded contracts contained a number of sizeable projects across several sectors. The power sector garnered the highest value of awarded contracts followed by real estate and oil & gas. These three sectors accounted for 69 percent of all awarded contracts alone. Other contributing sectors included transportation, water, and healthcare.

### Value of Awarded Contracts by Year (SAR Millions)



\*Through Q1'21

Source: MEED Projects, public outlets, government data, USSBC

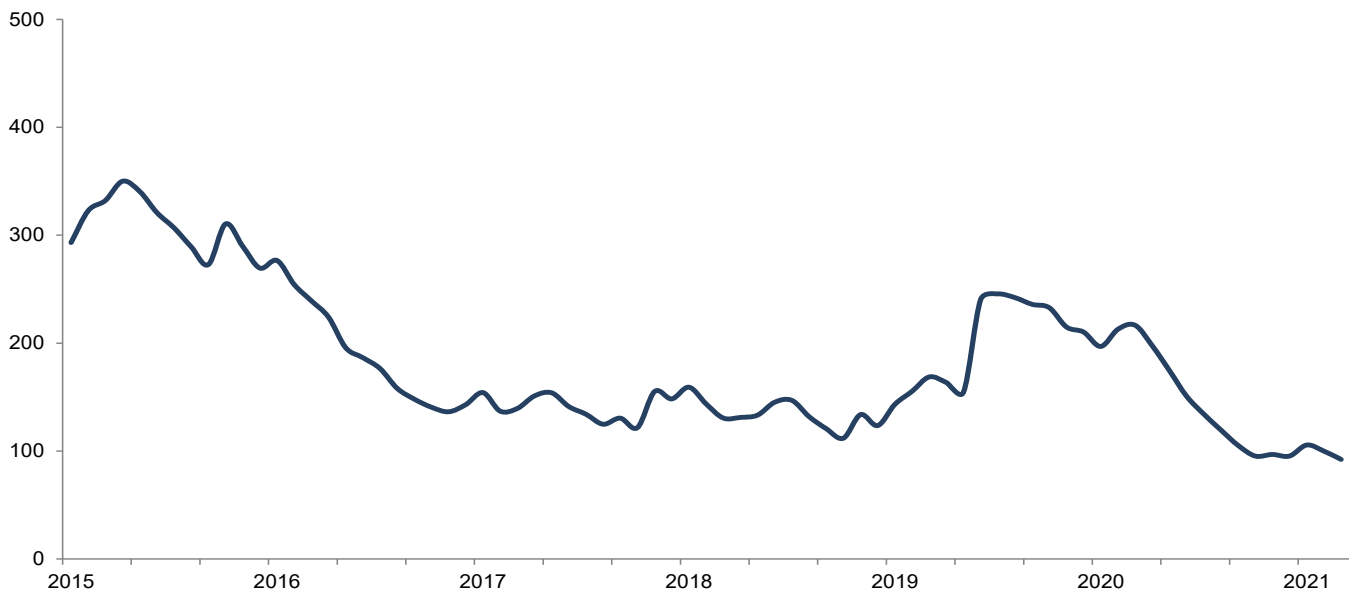


## USSBC's Contract Awards Index Performance Through Q1 2021\*

The USSBC Contract Awards Index (CAI) declined to 92.30 points at the end of the first quarter. This follows the ongoing trend that began in Q4'20 as the value of contracts significantly declined as result of halted and cancelled projects stemming from the pandemic. The decline of the CAI below 100 points for two consecutive quarters entails a possible slowdown in executable projects over the next 6 to 18 months. The number and value of executable contracts at the end of 2021 will slowly rebound as the macroeconomic landscape continues to improve. The CAI is expected to pass the 100 point threshold over the next three quarters as low base effects stemming from the considerable decline in contract awards during 2020 will revive the index. Despite the decline in the CAI, construction project awards are increasing compared to last quarter.

The CAI did peak at 105.61 points in January after a strong month but yielded its gains in February and March to 99.95 points and 92.30 points, respectively. The CAI declined QoQ by 3.10 points and by 124.3 points YoY, which was prior to the decline in awarded contracts during the last three quarters of 2020.

### USSBC Contract Awards Index Performance



Source: MEED Projects, public outlets, government data, USSBC

\* The USSBC CAI is calculated using a 12 month exponential moving average. This calculation smoothens the data while reducing the effects of outliers within the observation period. The index aims to give our readers a sense of direction on construction activities that will transfer to the execution phase over the next 6 to 18 months. Thus, the CAI should be used as a forward looking tool to gauge the health of construction activities across all sectors. In general, a CAI reading of 100 points and above indicates an expansion while a sub-100 point reading indicates a possible contraction.

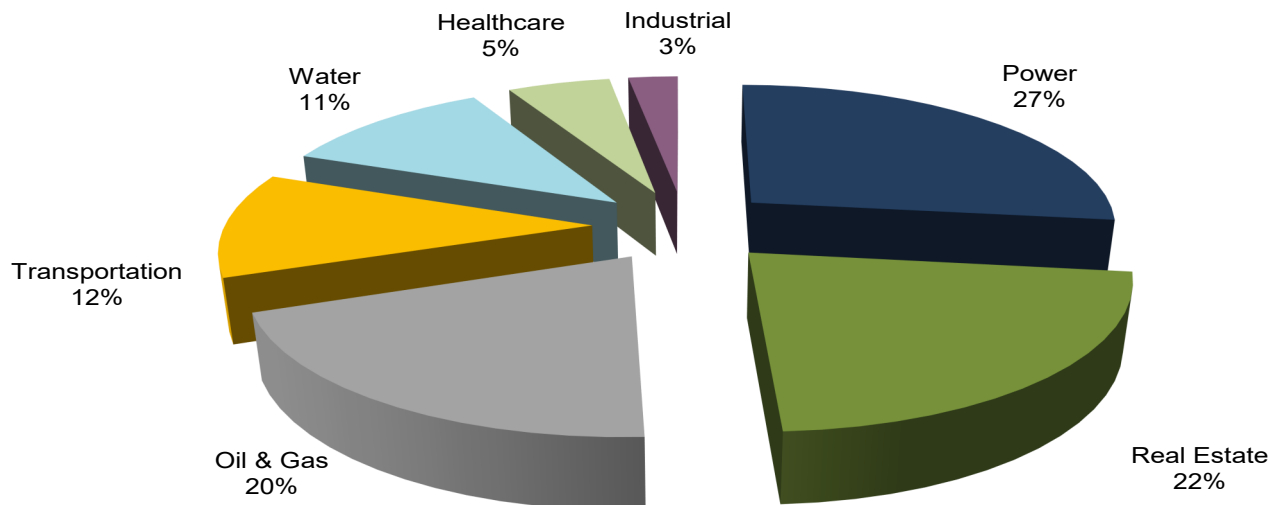


## Overview of Awarded Contracts By Sector During Q1 2021

The value of awarded contracts during Q1'21 was led by the power sector, which accounted for SAR5.2 billion (\$1.4 billion) or 27 percent of all contracts. The power sector had 22 awarded projects that were dominated by the Saudi Electricity Company (SEC) while the Renewable Energy Project Development Office (REPDO) accounted for the highest value of contracts. A majority of SEC's projects involved the construction of overhead transmission lines and the expansion of substations across a number of provinces. REPDO resumed awarding contracts after the pandemic caused it to delay what was expected to be a monumental year in 2020. It awarded two contracts worth approximately SAR2 billion (\$533 million) that will bring 500MW in renewable energy power plants.

The real estate sector garnered approximately SAR4.3 billion (1.1 billion) or 22 percent worth of awarded contracts as residential projects accounted for a majority of the share. The real estate sector had 13 awarded contracts that were led by the Ministry of Housing in residential and by The Red Sea Development Company in hospitality. The residential real estate segment continues to witness sizeable projects on the back of increasing Saudi home ownership to 70 percent by 2030. The oil & gas sector captured the third largest share of awarded contracts with SAR3.9 billion (\$1 billion) or 20 percent of the total. Saudi Aramco awarded all the projects in the sector as construction work pertained to the Shaybah NGL plant, the South Ghawar field, and Marjan field.

### Value of Awarded Contracts by Sector During Q1 2021



Source: MEED Projects, public outlets, government data, USSBC

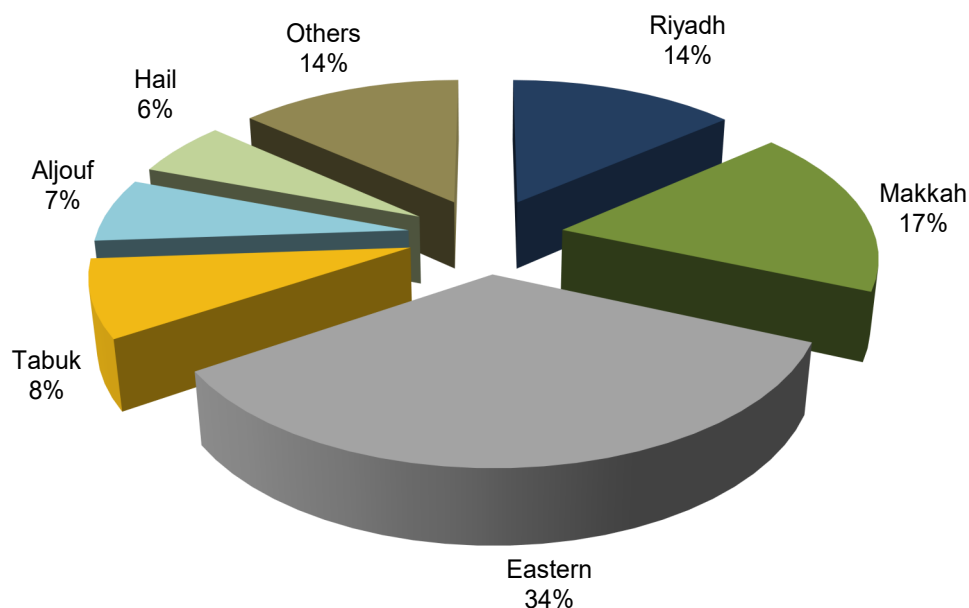


## Overview of Awarded Contracts By Region During Q1 2021

The Eastern Province accounted for the highest share of awarded contracts during Q1'21 with SAR6.6 billion (\$1.8 billion) or 34 percent of the total. The oil and gas sector accounted for SAR3.9 billion (\$1 billion) or 58 percent of awarded contracts in the Eastern Province, while the real estate sector accounted for SAR1.6 billion (\$417 million) or 24 percent. Saudi Aramco awarded all the oil & gas projects, while the Ministry of Housing was the sole awarder in the real estate sector. The power, water, industrial, and transportation also contributed to the Eastern Province's contracts awards.

The Makkah region captured second place with SAR3.4 billion (\$899 million) in awarded contracts. The power sector accounted for the highest share of awarded contracts as it witnessed SAR2 billion (\$524 million) or 58 percent of the total. The real estate and transportation sectors were awarded similar values of SAR540 million (\$144 million) and SAR533 million (\$142 million), respectively. Each of those sectors accounted for 16 percent of the total share in the Makkah region. The water and transportation sectors claimed the remaining shares of awarded contracts. The Riyadh region accounted for SAR2.7 billion (\$708 million) or 14 percent of the total. The transportation sector registered the highest value of awarded contracts with SAR850 million (\$227 million) or 32 percent. The real estate sector accounted for SAR555 million (\$148 million) or 21 percent of the total. The power sector captured the third largest share in the Riyadh region with SAR489 million (\$130 million) or 18 percent of the total.

**Value of Awarded Contracts by Region During Q1 2021**



Source: MEED Projects, public outlets, government data, USSBC



## **Breakdown of Awarded Contracts Across Top Performing Sectors**

### **Power**

The power sector surged during Q1'21 as the total value of awarded contracts reached SAR5.2 billion (\$1.4 billion) or 27 percent of the total. This marks the highest value of awarded contracts in the power sector since the fourth quarter of 2015, when it tallied SAR11.3 billion (\$3 billion). Furthermore, the power sector grew by SAR1.6 billion (\$423 million) or 44 percent QoQ, and by SAR2.6 billion (\$690 million) or 100 percent YoY.

The power sector witnessed the return of the Kingdom's renewable energy projects after delays that were caused by the pandemic. The REPDO resumed its contract awards for Round 2, Category B of the Kingdom's renewable energy program. Two contracts were awarded by REPDO worth approximately SAR2 billion (\$533 million). The first contract was awarded in January in the amount of SAR1.2 billion (\$320 million) to India's Larson & Toubro. According to MEED Projects, Larson & Toubro will be tasked with the construction of a 300 MW solar power plant in Jeddah. Additional works include the installation of solar panels and transformers as well as laying transmission lines. The project is expected to be completed by the third quarter of 2022.

REPDO awarded the second contract in January in the amount of SAR750 million (\$200 million). According to MEED Projects, the project calls for the construction of a 200 MW solar power plant in Qurayyat located in Aljouf province. Additional works also include the installation of solar panels and transformers as well as laying transmission lines. The project is expected to be completed by the fourth quarter of 2023.

A third contract was awarded as part of REPDO's Round 2, Category B program by South Rabigh Renewable Energy Company (SRREC). SRREC awarded the SAR690 million (\$184 million) to China Energy Construction Gezhouba International in January. According to MEED Projects, the contract calls for the construction of a 300 MW solar power plant in Rabigh. Once completed, SRREC will sell electricity produced by the plant to Saudi Power Procurement Company for 25 years. The project, which was awarded in January, is expected to be completed by the second quarter of 2024.

The SEC awarded 17 contracts during Q1'21 worth approximately SAR2.3 billion (\$625 million). A majority of the contracts pertained to the construction of new or expansion of substations and overhead transmission lines Kingdom wide. The largest of these contracts was awarded to South Korea's Hyundai Engineering in January in the amount of SAR413 million (\$110 million). According to MEED Projects, the scope of works include the construction of a 380kV double circuit overhead transmission line between Aljouf and Hail. The project is expected to be completed by the first quarter of 2023.



## Real Estate

The real estate sector continued to witness sizeable investments during Q1'21 as residential developments led by the Ministry of Housing remain a key priority. The SAR4.3 billion (\$1.1 billion) in awarded contracts garnered 22 percent of the total share. Despite the real estate sector decreasing by SAR1.6 billion (\$427 million) or 27 percent QoQ, it substantially grew by SAR2.6 billion (\$697 million) or 148 percent YoY. The residential segment accounted for SAR2.9 billion or 67 percent of the real estate sector's value of awarded contracts while the hospitality segment accounted for a distant second with SAR825 million (\$220 million) or 19 percent during Q1'21.

The largest contract by value was awarded in January by the Ministry of Housing in the amount of SAR1.5 billion (\$400 million). The contract was awarded to the local Nahdat Al Emaar Contracting Company for the development of a large-scale project in Dammam. According to MEED Projects, the project will be developed across five phases named Al Yasmine, Al Khuzama, Al Nergis, Al Wood, and Al Nakheel Complexes. The project calls for the construction of 2,952 villas, seven mosques, nine schools, five shopping centers, nine gardens, a cultural and health center, and five primary schools. The project is expected to be completed by the third quarter of 2024.

The Ministry of Housing awarded another sizeable residential development in January to grow the supply of housing options in Asir. The Ministry awarded the contract to the local Abdulrahman Saad Alrashid & Sons in the amount of SAR300 million (\$80 million). According to MEED Projects, the development will add 1,351 townhouses, 1,041 villas, two mosques, a school, two shopping centers, six gardens, a clinic, and parking facilities. The project is expected to be completed by the fourth quarter of 2024.

In partnership with the Ministry of Housing, the local contractor El-Safwa Building Company Limited awarded a SAR375 million (\$100 million) residential development to China Energy Construction Gezhouba International Corporation in February. The development, "Al Khamis Garden" covers over 1.5 million square feet and will supply 49 residential towers that will contain 1,344 apartments between 1,300 to 2,000 square feet. The development will also include a mosque, several gardens, retail shops, and hotel accommodation.

Within the hospitality segment, a sizeable contract was awarded by The Red Sea Development Company for the development of a resort on the Ummahat Al-Shaikh Island in Tabuk. The SAR600 million (\$160 million) project was awarded to the Swiss Blumer Lehmann in January. According to MEED Projects, the resort will include 100 villas and a 172 room hotel. Additional facilities will include restaurants, swimming pools, retail, spa and fitness centers, staff cafeteria, and staff accommodations. The project is expected to be completed by the fourth quarter of 2023.



A notable contract was awarded within the mixed-use segment in March by Al Murjan Group to the local Al Saad General Contracting in the amount of SAR300 million (\$80 million). The project is called “Al Salam Mixed Use Development Delta Marriott Hotel,” and will be located along the Red Sea in Jeddah. According to MEED Projects, the development will be anchored by a Marriott hotel and will include retail, office, and apartment options. The project is expected to be completed by the fourth quarter of 2023.

## Oil & Gas

Despite a steep decline in the number of projects since the onset of the pandemic, the oil & gas sector consistently maintains its position as a top awardee of contracts by value. The SAR3.9 billion (\$1 billion) in awarded contracts during Q1'21 grew by SAR3.1 billion (\$840 million) or 442 percent QoQ. However, the value this quarter significantly lags compared to the same period last year as it decreased by SAR6.9 billion (\$1.8 billion) or 64 percent YoY. Saudi Aramco's decision to decrease its capital expenditures for 2021 from \$45 billion to \$35 billion in light of the pandemic and lower oil revenues during 2020 will dictate the pace of awarded contracts during the year. Despite the decline in Saudi Aramco's capital expenditures, the oil & gas sector is expected to garner a larger share of awarded contracts compared to 2020.

Of the four contracts that were awarded by Saudi Aramco, two contracts worth SAR2.6 billion (\$700 million) were notable. The first contract was awarded in January to China's Wison Engineering in the amount of SAR1.1 billion (\$300 million). According to MEED Projects, Wison Engineering will be tasked with constructing a dew point control system project at the Shaybah NGL plant. In addition to installing the dew point control system, an inlet facility and dehydration facility will be constructed. USSBC member Worley will be responsible for the front-end engineering and design of the project. The project is expected to be completed by the second quarter of 2024.

The second notable contract was awarded in February to CAT Group as part of Saudi Aramco's shale gas development project at the South Ghawar field. The value of the contract was SAR1.5 billion (\$400 million). The project involves the preparation and installation of 37 well tie-ins, four remote headers, four trunkline straps, and overhead transmission lines for the wells. The project is expected to be completed by the third quarter of 2024.

## Contract Awards Outlook

The Saudi construction sector is in the midst of a rebound as the value of awarded contracts climbs out of a difficult 2020 that witnessed the lowest values in over a decade. On a quarterly basis, the value of awarded contracts has steadily increased from the low point of SAR7.4 billion (\$2 billion) during Q2'20 to SAR19.2 billion (\$5.1 billion) in Q1'21. Looking ahead, the macroeconomic environment continues to



improve across a number of categories that should support stronger investments for the public and private sectors.

The non-oil sector GDP increased in Q1'21 by 4.9 percent QoQ despite a sharp decline in oil sector GDP. Signs that private sector confidence is growing in the Kingdom is illustrated in the Purchasing Managers' Index (PMI), which grew to 56.1 points in May from 55.2 points in April 2021. The increase in the PMI was driven by private sector output, which grew at the fastest rate since December 2017. Improved market conditions also led new customer orders to climb to its fastest rate in four months. Furthermore, bank claims on the private sector and public sectors continue to expand as investments into the economy ramp up. Bank claims on the private sector grew by SAR237 billion (\$63 billion) YoY in April 2021, marking a 14 percent increase, while bank claims on the public sector grew by SAR55 billion (\$15 billion), a 12 percent rise.

Despite lower base effects contributing to a spike in spending stemming from the lockdown measures in 2020, consumer spending exhibited extraordinary growth as the most recent data reflects a 142 percent increase YoY in point of sales (POS) transactions as of April 2021. Cash withdrawals were up by 27 percent YoY as the opening of the economy led to a surge in spending across all sectors.

An important indicator that construction activity is rising is the increase in cement sales. Cement sales as of May 2021 indicate that the 17 Saudi cement producers witnessed a 65 percent increase YoY to 3.5 million tons. The surge was driven by domestic sales, which grew by 71 percent during the same period. Furthermore, clinker inventories decreased by 22 percent YoY to 33 million tons despite a production increase of 4.6 million tons or 7 percent.

The increase in investments and construction activities by the private sector has lessened the burden on the government to fulfill the Kingdom's development plans. This has allowed the Kingdom to decrease its capital expenditures budget especially during a period of lower oil revenues. While the private sector has taken an expanded role, the government's allocation of SAR101 billion (\$27 billion) for capital expenditures in 2021 will play a vital role in the development of social and physical infrastructure projects. However, the government spent only 15 percent of its budgeted capital expenditures during the first quarter of 2021. With 85 percent of capital expenditure remaining, the government will accelerate its infrastructure investments throughout the next three quarters of 2021.

Looking ahead into the next quarter, a number of contracts are expected to be awarded that will continue the momentum in the construction sector. Two mega-projects are expected to be awarded in renewable energy during the second quarter. ACWA power will award the Sudair 1,500 MW Solar PV project. REPDO will also continue awarding projects under Round 2 Category B pertaining to the 600 MW



Alfaisalia Power Plant. Another notable project is the Advanced Petrochemical Company's Propane dehydrogenation & Polypropylene complex, which is expected to award two sizeable contracts.



## Notable Contracts During Q1 2021

Sector	Region	Client	Contractor	Details	Estimated Value (SAR million)
Real Estate	Eastern	Ministry of Housing	Nahdat Al Emaar Construction	Five-phase residential building projects including 2,950 townhouses	1,500
Oil & Gas	Eastern	Saudi Aramco	CAT Group	Installation of 37 well tie-ins at South Ghawar field in Saudi Arabia	1,500
			Wison Engineering	Construction of the Dew Point Control System (DPCU) project at Shaybah NGL plant	1,125
			China National Chemical Corporation No. 3	Construction of the western part of the AAP crude oil processing unit of Aramco's Berry Increasing Project.	897
Power	Makkah	REPDO	Larsen & Toubro	Construction of a 300MW solar power plant in Jeddah	1,200
	Al Jouf			Construction of a 200MW solar power plant in Qurayyat in Saudi Arabia.	750
Water	Eastern	SEPCO III	Metito	Design, engineering and procurement of the new Jubail II seawater reverse osmosis (SWRO) desalination plant	495
Hospitality	Tabuk	The Red Sea Development Company	Blumer Lehmann	Development of Ummahat al-Shaikh Island, including two hotel buildings	675
Transportation	Riyadh	Mawani	Archirodon	Construction of quay walls and livestock terminal at Jeddah Port	375
Healthcare	Riyadh	Middle East Healthcare Company	International Hospitals Construction Company	Modification and renovation of Saudi German Hospitals in Jeddah, Riyadh, Khamis Mushayt and Madinah	345

Source: MEED Projects, public outlets, government data, USSBC



### **Disclaimer:**

*The sources used to obtain data in this report are derived from government/ministerial agencies, news outlets, interviews, subscription based databases, and other related sources. The awarded contract values are subject to change each month as a result of changes to the status of a contract. There may be situations in which previously reported contracts are delayed, cancelled, or otherwise altered in any way. The information contained in this document was gathered from sources believed to be accurate at the time, and the U.S.-Saudi Arabian Business Council accepts no liability from errors or omissions in any part due to human or mechanical error. The above information should not be taken as investment advice or as trading recommendation on behalf of the U.S.-Saudi Arabian Business Council.*

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