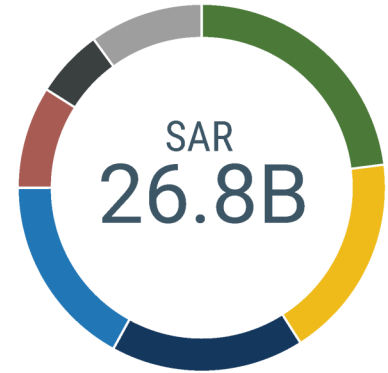
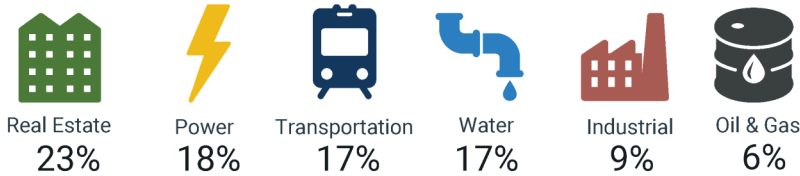




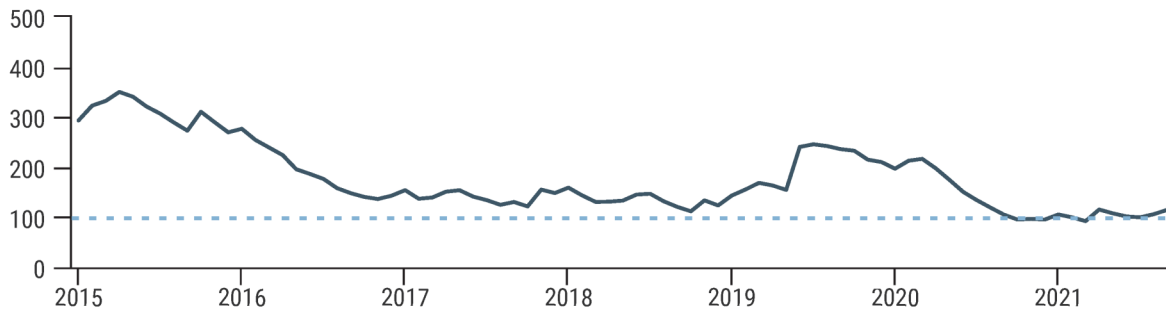
# USSBC Contract Awards Index Third Quarter 2021

## Contracts Awarded by Sector



The majority of awarded contracts in Q3 were in the real estate, power, transportation, and water sectors which accounted for 75 percent of the total value of contracts. The industrial and oil & gas sectors accounted for 15 percent while other sectors accounted for the remaining 10 percent in Q3.

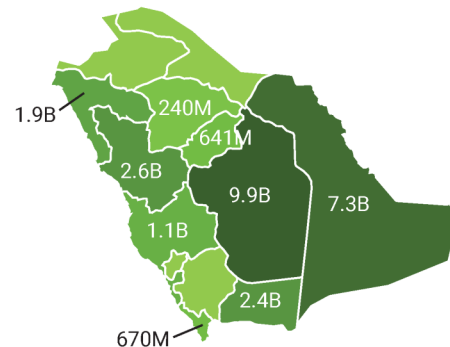
## Contract Awards Index Over Time



The USSBC Contract Awards Index ascended to 114.84 points as momentum builds on increased contract awards. The CAI remained above the 100 point threshold over the last two quarters.

## Contract Awards By Province

Riyadh Province beat out Eastern Province for the first time this year, accounting for 37 percent of the value of awarded contracts in Q3. Key projects included the "Mall of Saudi" development and the Diriyah Gate development. Eastern Province saw the second highest value of contracts awarded in Q3, 27 percent of total awards, including residential compounds along the East-West pipeline. Madinah saw the third highest value of contracts where Egypt and Saudi Arabia signed major deals to construct a power system connecting to the two nations. Najran Province saw the fourth highest value due to a major deal to build a copper & zinc processing plant.



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

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## Highlights

1. The value of awarded contracts increased to SAR26.8 billion (\$7.2 billion) during the third quarter, marking four consecutive quarters of growth and a 262 percent jump YoY. The total value reached SAR71.8 billion (\$19.1 billion) through the first three quarters of 2021.
2. The USSBC Contract Awards Index ascended to 114.84 points as momentum builds on increased contract awards. The CAI remained above the 100 point threshold over the last two quarters.
3. The real estate sector led with the highest value of awarded contracts, accounting for approximately SAR6.2 billion (\$1.7 billion).
4. The power sector continued its surge this year, netting the second spot as the value of awarded contracts reached approximately SAR4.7 billion (\$1.3 billion).
5. The transportation sector climbed to a top three position for the first time this year with approximately SAR4.6 billion (\$1.2 billion) worth of awards.

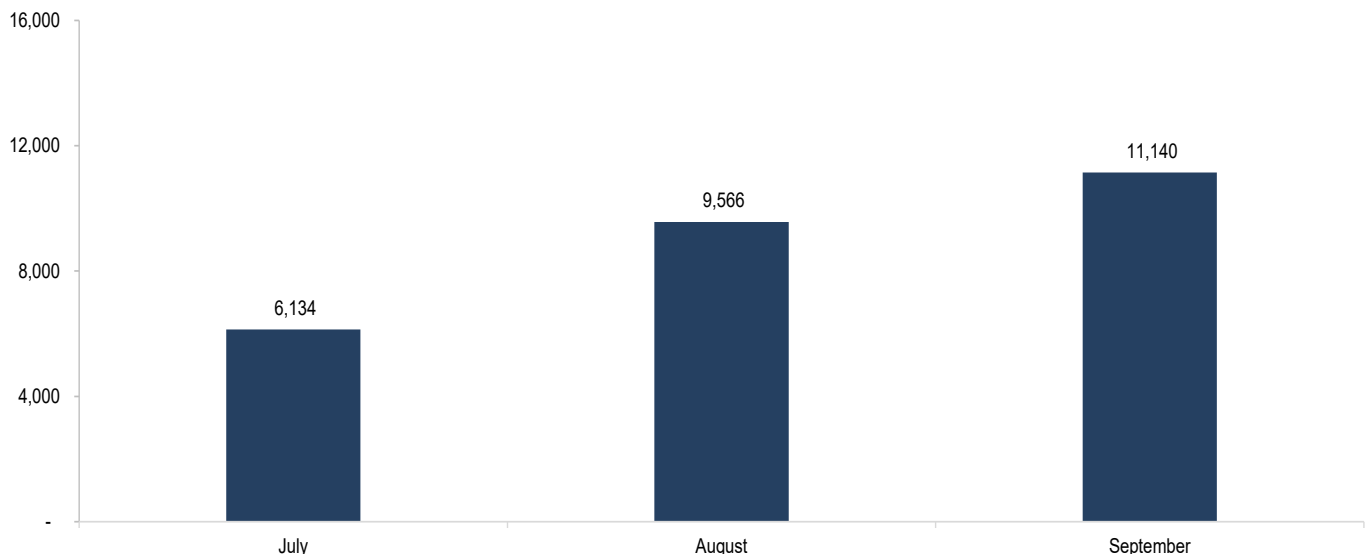
## Key Takeaway:



The breadth of the Kingdom's diversification strategy will keep the construction sector as a leader in investment generation and employment opportunities. The current role international companies have in building up the Kingdom's development goals are imperative to the success of national diversification plans, with construction serving as a main component.



## Value of Awarded Contracts During Q3 2021 (SAR Millions)



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

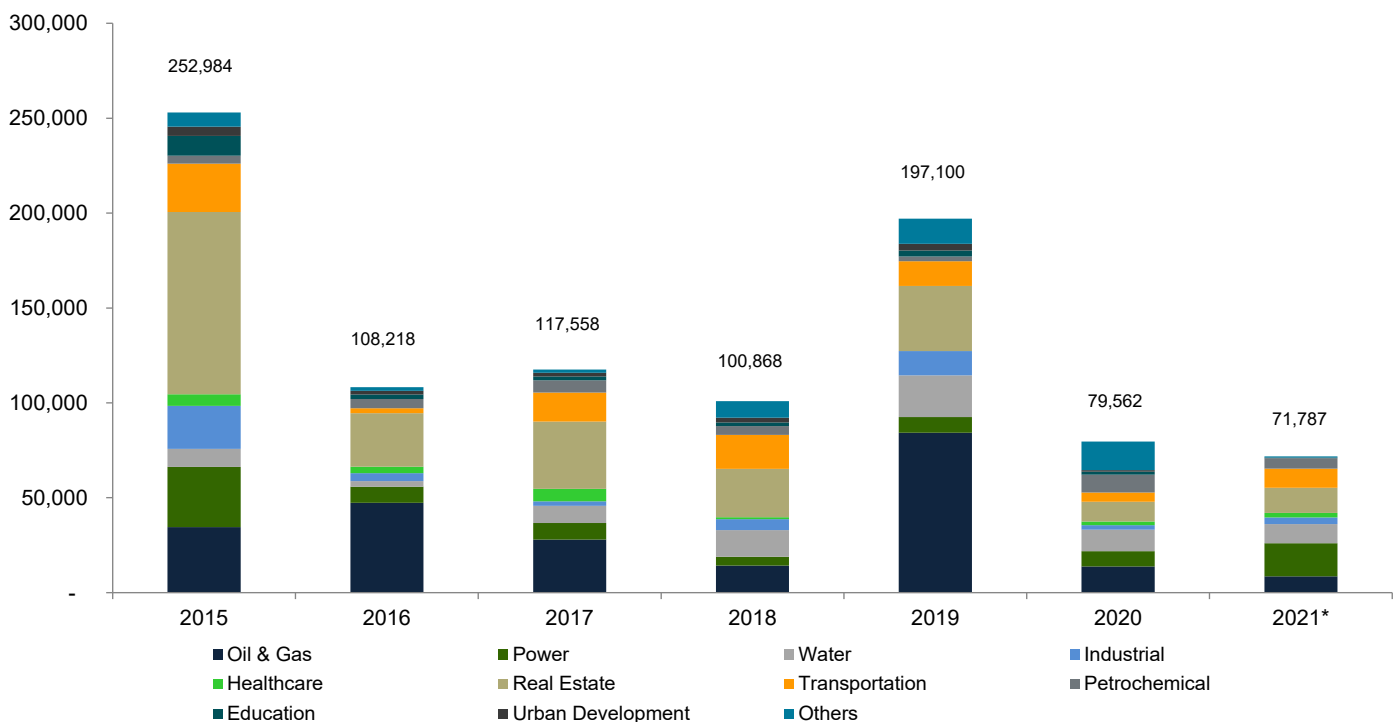


## Overview of Awarded Contracts During Q3 2021

The total value of awarded contracts during Q3'21 continued to climb as it reached SAR26.8 billion (\$7.2 billion), marking four consecutive quarters of growth. The construction sector's path to recovery is well underway despite continued challenges stemming from supply chain slowdowns and elevated construction material costs. This positive development places the pipeline of projects to be executed on solid footing as the Kingdom's construction contracts market will build on the growing momentum. The value of awarded contracts grew by 4 percent QoQ and by 262 percent YoY. The total value of awarded contracts through the first three quarters now stands at SAR71.8 billion (\$19.1 billion), marking a 13 percent increase YoY. The Kingdom's macroeconomic environment continues to aid the rebound in total output as it registered a real GDP growth rate of 6.8 percent during Q3'21. The oil sector grew by 9 percent while the non-oil sector grew by 6.2 percent. Consumer spending was also strong, as it grew by 4.8 percent YoY in October with point of sales (POS) surging by 20 percent. The pickup in demand bodes well for the construction sector and in real estate specifically.

The SAR26.8 billion (\$7.2 billion) in awarded contracts were mainly attributed to the real estate, power, transportation, and water sectors. These four sectors accounted for 75 percent of all contracts by value. Other notable contributing sectors included industrial, oil & gas, petrochemicals, and healthcare.

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



\*Through Q3'21

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



## USSBC's Contract Awards Index Performance Through Q3 2021\*

The USSBC Contract Awards Index (CAI) climbed to 114.84 points at the end of the third quarter. The current momentum in awarded contracts of four consecutive growing quarters has further pushed the CAI into expansion. This indicates that the growing number of awarded contracts will increase the volume of projects in the execution phase into 2022 after a marked slowdown in 2020 and early 2021. The CAI grew by 13.09 points or 13 percent QoQ and by 9.58 points or 9 percent YoY. On a monthly basis during Q3'21, the CAI ended at 100 points in July and grew to 106.07 points in August before settling at 114.84 points in September.

The gradual rebound of the construction sector will keep the CAI above the 100-point threshold for the remainder of 2021 and likely into the medium-term. Pandemic induced delays in construction activity, which has been further hampered by on going supply chain hinderances are expected to subside. The carryover from the delays of state sponsored mega-projects will keep construction activities afloat and exert downward pressure on building material costs as bottlenecks ease.

### USSBC Contract Awards Index Performance



Source: MEED Projects, Saudi Gulf 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.

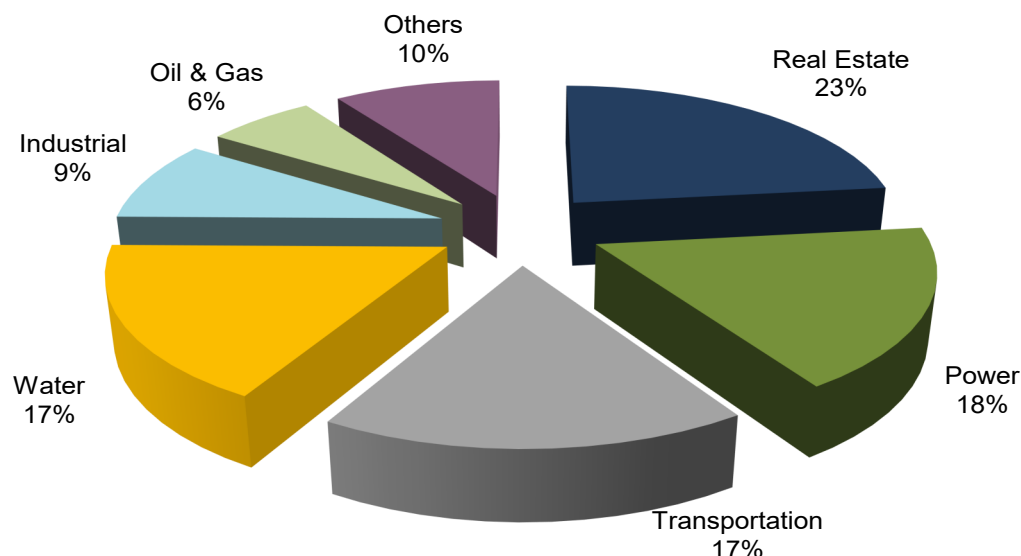


## Overview of Awarded Contracts By Sector During Q3 2021

Real Estate reemerged as the leading sector during Q3'21 after a strong showing in 2020. The SAR6.2 billion (\$1.7 billion) or 23 percent share in awarded contracts was the highest thus far for real estate, which was aided by growth in the commercial real estate market. The real estate sector has garnered approximately SAR13.3 billion (\$3.5 billion) or a 19 percent share of all awarded contracts by value so far in 2021. The real estate sector witnessed seven awarded contracts during the quarter, of which commercial real estate accounted for the largest share as the “Mall of Saudi” was inaugurated in Riyadh. The residential market had sizeable contracts, which were led by Saudi Aramco’s residential compounds along the East-West pipeline.

The power sector registered the second highest value of awarded contracts after having led the previous two quarters. It accounted for SAR4.7 billion (\$1.3 billion) or 18 percent of the total. Through the first three quarters of 2021, the power sector has accumulated SAR17.5 billion (\$4.7 billion) or 24 percent of the total share. This also marks the power sector’s highest tally since 2015, when it registered SAR31.7 billion (\$8.5 billion) for the year. The awarded contracts were led by the Saudi Electricity Company (SEC) Kingdom wide. The scope of the contracts were mainly for developing new substations, overhead transmission lines, and a solar photovoltaic (PV) farm. The transportation sector climbed to the third spot with SAR4.6 billion (\$1.2 billion) or 17 percent of the total. The transportation sector’s YTD awards has netted SAR10.1 billion (\$2.7 billion) or 14 percent of the total. A majority of the value of contracts was attributed to the Diriyah Gate Development Authority’s (DGDA) road packages in the Riyadh region.

### Value of Awarded Contracts by Sector During Q3 2021



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

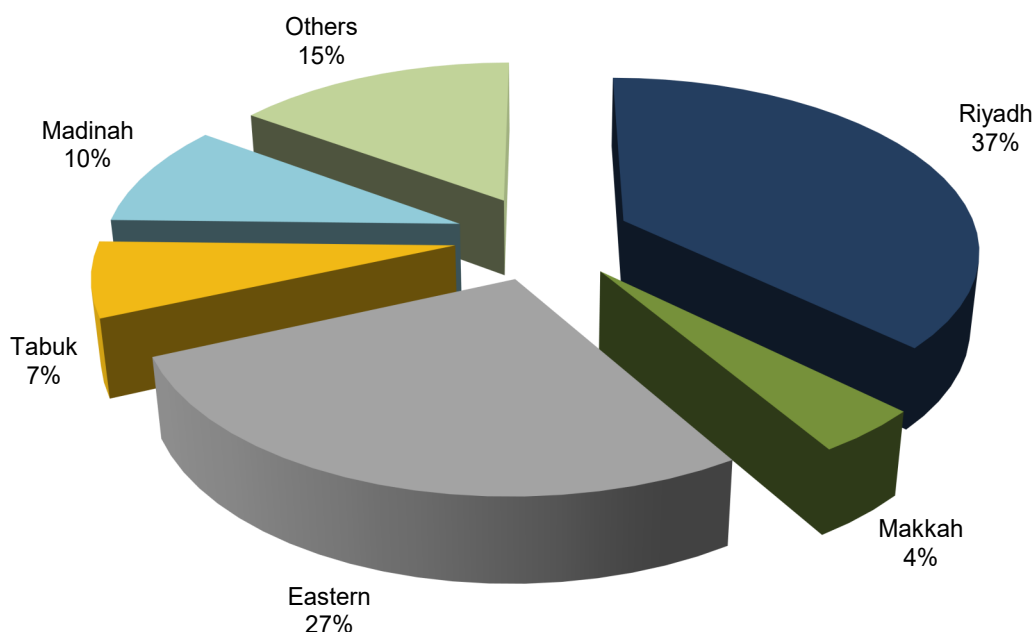


## Overview of Awarded Contracts By Region During Q3 2021

The value of awarded contracts was dominated by Riyadh during Q3'21, as it accounted for SAR10 billion (\$2.7 billion) or 37 percent of the total share. Approximately 22 contracts were awarded in the Riyadh region across a number of sectors. The real estate, transportation, and power sectors accounted for 88 percent of awarded contracts by value in Riyadh. The majority of contracts were for commercial real estate, Diriyah Gate Development Authority's road infrastructure works, and SEC's substation and network expansion. The Riyadh region's YTD contribution to the value of awarded contracts thus far in 2021 is SAR19.3 billion (\$5.1 billion) or 27 percent.

The Eastern Province, which had dominated all regions during the first two quarters, slipped into the second spot with SAR7.3 billion (\$1.9 billion) or 27 percent of the share of awarded contracts. Of the 11 awarded contracts in the Eastern Province, real estate, water, and oil & gas accounted for SAR5.9 billion (\$1.6 billion) or 81 percent of the share. The Ministry of Housing and Saudi Aramco led the real estate sector while the Saline Water Conversion Corporation accounted for the majority of water contracts. Saudi Aramco awarded the oil & gas contracts for work on its Abqaiq plant, Marjan and Zuluf fields, and Safaniya gas plant. The Eastern Province still dominates all regions with a YTD of SAR25.6 billion (\$6.8 billion). The Madinah region tallied the third most contracts by value with SAR2.6 billion (\$685 million) or 10 percent of the total. Of the five awarded contracts in the Madinah region, the power sector accounted for SAR1.9 billion (\$496 million) 72 percent of the share. The YTD value of awarded contracts for the Madinah region stands at SAR4.9 billion (1.3 billion) or 7 percent of the total share.

### **Value of Awarded Contracts by Region During Q3 2021**





## Breakdown of Awarded Contracts Across Top Performing Sectors

### Real Estate

The real estate sector's SAR6.2 billion (\$1.7 billion) in awarded contracts during Q3'21 was the highest quarterly tally for the sector this year despite witnessing eight contracts. Within the real estate sector, the commercial market accounted for SAR3.5 billion (\$928 million) or 56 percent of all real estate contract awards. Meanwhile, the residential market accounted for SAR2.6 billion (\$692 million) or 42 percent of all real estate contract awards and hospitality capturing SAR150 (\$40 million) or 2 percent. The real estate sector grew by SAR3.2 billion (\$908 million) QoQ and by SAR5.1 billion (\$1.4 billion) or 461 percent YoY. On a YTD basis, the real estate sector surpassed all of 2020's awarded contracts by value, as it registered SAR13.3 billion (\$3.5 billion) compared to SAR4.5 billion (\$1.2 billion) through Q3, marking an impressive 194 percent jump.

The commercial real estate market witnessed four contract awards during Q3'21 and was led by the award to develop "Mall of Saudi" in Riyadh. According to MEED Projects, the contract was awarded by Majid Al Futaim to Modern Building Leaders for the early works package in the amount of SAR3 billion (\$800 million). The development of "Mall of Saudi" is part of the wider retail component of the SAR16 billion (\$4.3 billion) Riyadh North development plan, which is expected to create 70,000 job opportunities during construction and 16,000 direct jobs during its operation across its multiphase development. In addition to housing 600 stores across 300,000 square meters, the scope of the project includes developing the region's largest ski slope and snow park, luxury hotels and branded residences covering 2,000 rooms and spanning 214,000 square meters of built-up area. The project will also boast 31 VOX Cinema screens, IMAX, Magic Planet, parking facilities, and additional facilities. According to MEED Projects, the project is expected to be completed by the fourth quarter of 2025.

The residential real estate market was second to commercial real estate during the third quarter but still leads YTD with SAR7.6 billion (\$2 billion) in awarded contracts versus SAR4.2 billion (\$1.1 billion) for commercial real estate. Three contracts were awarded for residential real estate, with the largest pertaining to Saudi Aramco's residential compounds along the East-West pipeline. According to MEED Projects, Saudi Aramco awarded the project to China's Jiangxi Water and Hydropower Construction Co. Ltd. in the amount of SAR1.9 billion (\$500 million). The project will be developed by East West for Real Estate Development Company, which is a special purpose vehicle setup by Asyad Group, Lamar Holding, and the Wisayah Investment Company. The scope of the work includes constructing six residential compounds, recreational facilities, and full utility services over a 770,000 square meter area. The project is expected to be completed by the second quarter of 2024.

Another notable contract in the residential real estate market was awarded by the National Housing



Company to Tamear in the amount of SAR600 million (\$160 million). The project calls for the construction of 1,000 villas in Al Mashraqiya Housing Complex in Riyadh. The first phase of construction comprises of 450 housing units, and the second phase will develop the remaining 550 units. According to MEED Projects, the project is expected to be completed by the fourth quarter of 2023.

## Power

The power sector continued its resurgence during in 2021 after a five year lull in contract awards. The SAR4.7 billion (\$1.3 billion) in awarded contracts during Q3'21 were tallied from 18 contracts. The value of power sector contracts awards decreased by 37 percent QoQ but grew by a substantial 206 percent YoY. The YTD value of power sector contract awards thus far in 2021 has grown by 290 percent YoY as the SEC has ramped up its investments into expanding the Kingdom's electricity distribution grid, while improving current networks.

Among the 18 contracts there were two notable awards by SEC that pertained to its partnership with the Egyptian Electricity Transmission Company (EETC) to construct power lines from Saudi Arabia to Egypt as part of the broader interconnection project. According to MEED Projects, the larger contract was awarded in the amount of SAR960 million (\$256 million) to Italy's Prysmian Group and entails the design, supply, installation and commissioning of around 127.5 kilometers (km) of HVDC 500kV Mass Impregnated submarine single-core cables, 43.5 km of 36kV XLPE submarine single-core cables and double-wire armoring, and 61 km of MINISUB submarine fiber optic cables for telecommunications and Distributed Temperature Sensing (DTS) monitoring. The distribution is expected to be between Cairo's Badr substation and the Madinah East substation. The project is expected to be completed by the fourth quarter of 2024, according to MEED Projects.

The second contract was awarded to a consortium consisting of Japan's Hitachi, Switzerland's ABB, and the local Saudi Services for Electro Mechanic Works in the amount of SAR900 million (\$240 million). According to MEED Projects, the scope of work involves construction of the Madinah HVDC converter station, Tabuk HVDC converter station, and a KSA transition station. The project will allow both countries to exchange up to 3 GW at peak times, providing power supply to more than 20 million people. The project is expected to be completed by the fourth quarter of 2024, according to MEED Projects.

The remaining awarded contracts by SEC focused on constructing substations and installing underground cables. The largest of those contracts was awarded to the local Trading & Development Partnership in the amount of SAR487.4 million (\$130 million). The project calls for the construction and installation of two 380kV cable circuits in Riyadh consisting of 2,500 square meter copper conductor, super clean-XLPE cable circuits, and associated civil works. The project is expected to be completed by the fourth quarter of 2023.



## Transportation

The transportation sector has rebounded strongly in 2021 after a drop-off in 2020. The transportation sector's SAR4.6 billion (\$1.2 billion) of 11 awarded contracts was its strongest performance thus far in 2021. It grew by 45 percent QoQ and by an impressive 168 percent YoY. On a YTD basis, the transportation sector already surpassed 2020's annual figure, and surged by SAR6.6 billion (\$1.7 billion) or 186 percent YoY. A number of road, airport, and port contracts were awarded during Q3'21, which led to the strong uptick.

The largest transportation contract pertained to phase I of the infrastructure package and consisted of road works at Diriyah Gate site in Area A. According to MEED Projects, the contract was awarded by DGDA to the local Saudi Constructioners in the amount of \$1 billion (\$267 million). The scope of work entails constructing 80 kilometers of roads, infrastructure and civil works, installing utility networks, landscaping, and associated facilities. U.S. company Parsons Corporation will be the lead project manager of the contract. The project is expected to be completed by the fourth quarter of 2023.

Within the airports sector, a contract was awarded by the Saudi General Authority for Civil Aviation and the Royal Commission for Jubail & Yanbu to Alkifah Contracting to develop Jubail's airport. According to MEED Projects, the SAR450 million (\$120 million) contract calls for the construction of a terminal building, VIP lounge, check-in counters, infrastructure works, escalators, and associated facilities. The project is expected to be completed by the third quarter of 2024.

Within the ports sector, NEOM will be developing the Duba port as part of the Circular City package. The project was awarded to the local Nesma & Partners in the amount of SAR300 million (\$80 million). Parsons Corporation will lead the project management side of the project. According to MEED Projects, the work will include constructing a vessel, container terminal, quay walls, container space, toll station, and additional facilities. The project is expected to be completed by the fourth quarter of 2025.

## Water

Accumulating the fourth highest value of awarded contracts and almost matching the transportation sector's tally, there were three sizeable contracts that were awarded by the Saudi Water Partnership Company pertaining to developing sewage treatment plants across three provinces that totaled SAR1.4 billion (\$360 million). All three contracts were awarded to the ACCIONA/Tawzea/Tamasuk consortium. The largest of the three contracts was awarded in the amount of SAR600 million (\$160 million) for the Madinah City (Madinah-3) sewage treatment plant. The plant will have a capacity of 200,000 m<sup>3</sup>/day (expandable to 375,000 m<sup>3</sup>/day) to treat urban wastewater. ACCIONA will be responsible for the facility's development, design, financing, construction, operation and maintenance for 25 years. According to MEED Projects, the project is expected to be completed by the first quarter of 2024.



The second largest contract was in the amount of SAR450 million (\$120 million) for the Buraydah-3 sewage treatment plant. This sewage treatment plant will have a capacity of 150,000 m<sup>3</sup>/day and will include the construction of 34 kilometers of recycled water collectors. According to MEED Projects, the project is expected to be completed by the fourth quarter of 2023.

The third contract pertains to developing the Tabuk-2 sewage treatment plant in the amount of SAR300 million (\$80 million) in Tabuk City. This sewage plant will have a capacity of 90,000 m<sup>3</sup>/day and will include the construction of 28 kilometers of recycled water collectors. According to MEED Projects, the project is expected to be completed by the fourth quarter of 2023.

## Contract Awards Outlook

The construction sector has maintained its positive trend of four consecutive quarters of growth through Q3'21. The resumption of contract awards following significant delays and cancellations stemming from the pandemic signifies the resiliency of the sector and pushes the momentum back on track going into the final quarter of 2021. While challenges like supply chain logistics, still-high building materials costs, and emerging COVID variants still linger, the breadth of the Kingdom's diversification strategy will keep the construction sector as a leader in investment generation and employment opportunities. The current role international companies have in building up the Kingdom's development goals are imperative to the success of national diversification plans, with construction serving as a main component.

The opportunities to develop the construction sector through government backed projects, PIF related developments, and an expanding share of private sector participation will provide the boost needed to return to the pre-pandemic period of high growth. The influence of the PIF and the private sector can be seen in the government's spending decreases in its capital expenditures. As of the third quarter, the government has spent SAR64 billion (\$17.1 billion) YTD which is 29 percent less than the same period last year. Furthermore, capital expenditures thus far have reached 63 percent of the 2021 budgeted amount, indicating that the government will accelerate investments during the fourth quarter. Given the increase in awarded contracts while capital expenditures continues to decrease during 2021 versus 2020, the contribution of the private sector is as evident as it has ever been in the Kingdom.

Looking ahead, a number of mega projects are expected to be awarded that will keep construction contract awards elevated. Saudi Aramco's development of the Jafurah unconventional gas plant across five packages will involve significant investments into the oil & gas sector. Within the water sector, The Red Sea Development Company will be awarding a contract to develop its infrastructure capabilities involving construction of a desalination plant that will be powered by renewable energy sources. The



Renewable Energy Project Development Office is also expected to award a number of contracts as part of the third round of projects.



## Notable Contracts During Q3 2021

Sector	Region	Client	Contractor	Details	Value (SAR million)
Real Estate	Riyadh	Majid Al Futtaim	Modern Building Leaders	Construction of a shopping mall complex called "Mall of Saudi"	3,000
	Eastern	Saudi Aramco	Jiangxi Water and Hydropower Construction Co Ltd	Construction of six residential compounds along the company's 1,200-kilometre East-West pipeline	1,875
Industrial	Najran	Al Masane Al Kobra Mining Company	Senet	Construction of a copper & zinc processing plant	2,400
Water	Eastern	Saudi Water Conversion Corp (SWCC)	Metito/Saudi Services for Electro Mechanic Works	Replacement of desalination technologies for the Jubail Desalination Plant (Phase 2)	2,100
	Makkah		Alishar Contracting	Construction of a water system project from Shoaiba Desalination Plant to the Makkah region	698
Transportation	Riyadh	Diriyah Gate Development Authority (DGDA)	Al-Rashid Trading & Contracting	Infrastructure works for east and west areas of Wadi Safar Development at Diriyah Gate	1,999
			Saudi Constructioneers	Infrastructure works for Area A at Diriyah Gate	1,001
Power	Madinah	SEC / Egyptian Electricity Transmission Company	Prysmian	Installation of submarine single-core cables and double wire armoring	960
			Hitachi/ABB Power Grids/ Saudi Services for Electro Mechanic Works	Construction of power line connecting Egypt and Saudi Arabia	900
Petrochemicals	Eastern	Air Products Qudra	Larsen & Toubro	Construction of fully integrated industrial gas hub in Jubail	900

Source: MEED Projects, Saudi Gulf 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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