



USSBC Contract Awards Index Second Quarter 2022

Contracts Awarded by Sector



Transportation contributed the largest share of the value of awarded contracts in Q2 with 46 percent. Oil & gas constituted 20 percent of the total value, followed by water (12 percent), civil (11 percent), industrial (5 percent), and healthcare (3 percent). Other categories accounted for the remaining 3 percent of the Q2 total.

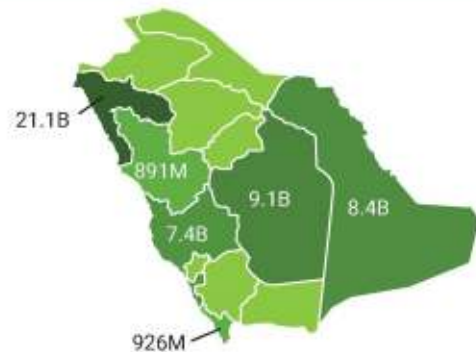
Contract Awards Index Over Time



The USSBC Contract Awards Index climbed to 230 points as the sector witnesses a resurgence in construction activity and elevating the CAI above the 200-point mark in three consecutive quarters.

Contract Awards By Province

Tabuk saw the highest value of contracts in Q2 2022, accounting for 44 percent of the total. Three major NEOM infrastructure contracts were the primary drivers of Tabuk's total. Riyadh was second with 19 percent of the total. Riyadh projects include an art complex and public transportation projects. Eastern Province followed with 17 percent of the Q2 total. Projects in the Eastern Province included several Saudi Aramco oil & gas and Saline Water Conversion Corporation projects. Makkah was the fourth largest source of contracts and constituted 15 percent of the total, including a major contract signed by U.S. carmaker Lucid Motors to build an electric car manufacturing plant at King Abdullah Economic City.



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



Highlights

1. The total value of awarded contracts during the first quarter reached SAR48.6 billion (\$12.9 billion), marking an 88 percent jump compared to last year. The total value reached SAR94.5 billion (\$25.2 billion) through the first half of 2022.
2. The USSBC Contract Awards Index climbed to 230 points as the sector witnesses a resurgence in construction activity and elevating the CAI above the 200-point mark in three consecutive quarters.
3. The transportation sector rallied to the highest value of awarded contracts with approximately SAR22.3 billion (\$6 billion).
4. The oil & gas sector slipped to the second spot as the value of awarded contracts reached approximately SAR9.7 billion (\$2.6 billion).
5. The water sector rounded out the top three sectors to reach SAR6.1 billion (\$1.6 billion) worth of awards.

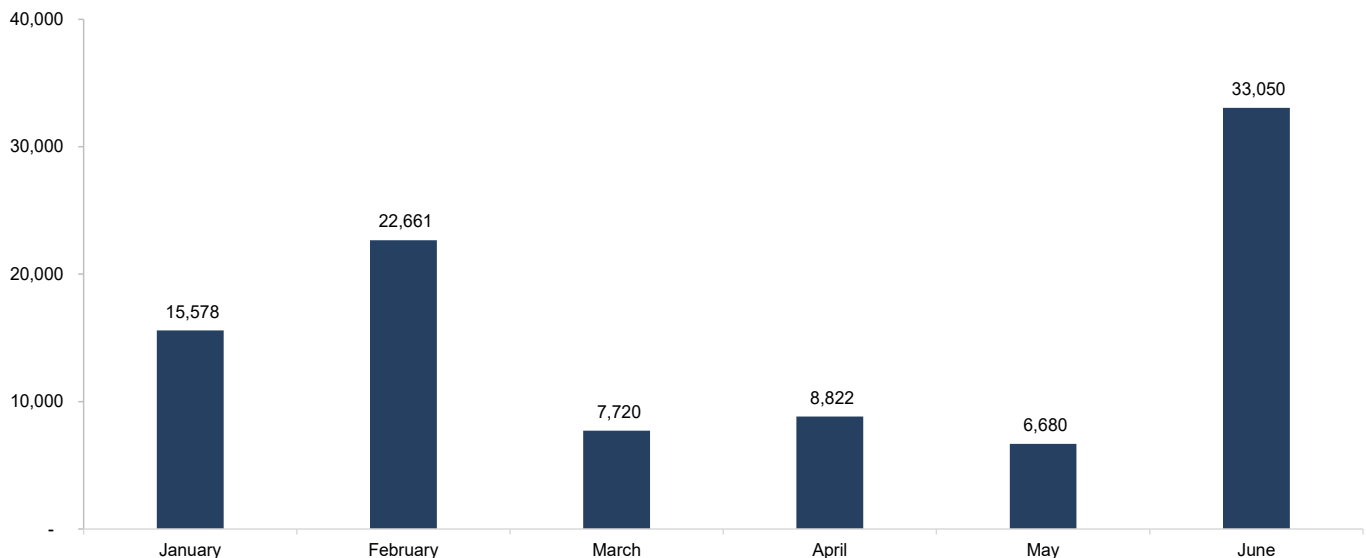
Key Takeaway:



The CAI's performance during H1'22 provided clear guidance on the health of the construction market in terms of projects under execution. As construction activities lag behind the CAI, the value of executed projects witnessed a sizeable rebound after bottoming out in 2020.



Value of Awarded Contracts During Q2 2022 (SAR Millions)



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

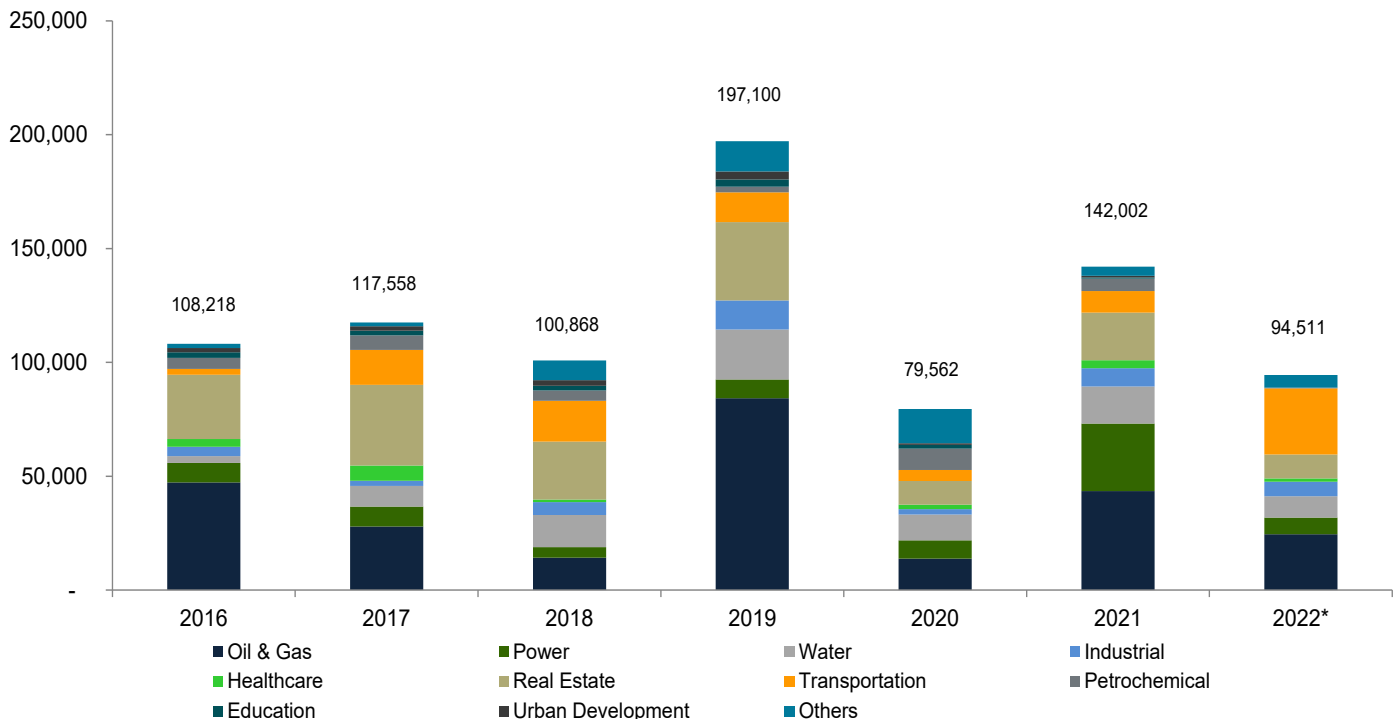


Overview of Awarded Contracts During Q2 2022

The total value of awarded contracts accelerated during Q2'22 to reach SAR48.6 billion (\$12.9 billion) as the implementation of large scale mega-projects propels the Kingdom's construction sector and the wider economy. The value of awarded contracts grew by an impressive 88 percent YoY and by 6 percent QoQ. Through the first two quarters, the value of awarded contracts surged to SAR94.5 billion (\$25.2 billion), marking a significant 110 percent jump compared to H1'21. The Kingdom is in the midst of an economic expansion as its GDP grew by 12.2 percent YoY during Q2'22, which was the highest growth rate since the third quarter of 2011. Oil sector GDP contributed with a 22.9 percent increase while non-oil sector GDP witnessed an 8.2 percent jump. Construction sector GDP contributed an 8.8 percent increase YoY. Furthermore, gross fixed capital formation (GFCF) grew by 28.8 percent YoY, with the private sector witnessing a 24 percent hike.

The SAR48.6 billion (\$12.9 billion) in awarded contracts were led by the transportation, oil & gas, and water sectors, as they accounted for 78 percent of the total. The transportation sector accounted for 46 percent of the total alone as infrastructure packages at Neom were awarded. Other sizeable contributors included the civil, industrial, and healthcare sectors.

Value of Awarded Contracts by Year (SAR Millions)



*Through Q2'22

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



USSBC's Contract Awards Index Performance Through Q2 2022*

The USSBC Contract Awards Index (CAI) continued to trend higher as it reached 230 points by the end of the second quarter. The CAI has remained above 200 points over the last three quarters and last dipped below this level during the third quarter of 2021. According to the CAI, the construction sector has been in an expansion phase since Q2'21 when it surpassed the 100-point threshold after a challenging period stemming from the pandemic. The CAI grew by 128.2 points or 126 percent YoY and by 17.67 points or 8 percent QoQ. On a monthly basis during Q2'22 the CAI reached 200 points in April, 183.86 points in May, and 230 points in June.

The CAI's performance during H1'22 provided clear guidance on the health of the construction market in terms of projects under execution. As construction activities lag behind the CAI, the value of executed projects witnessed a sizeable rebound after bottoming out in 2020. According to MEED Projects, the value of projects under construction dropped to SAR38.3 billion (\$10.2 billion) during H1'20 followed by increases of SAR60.7 billion (\$16.2 billion) and SAR94 billion (\$25.1 billion) during H1'21 and H1'22, respectively. Furthermore, losses in the cement sector during 2020 and 2021 have been reversed as total sales jumped by 13 percent YoY by the end of August, in line with the trend set by the CAI, which projected a rebound by 2022.

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.



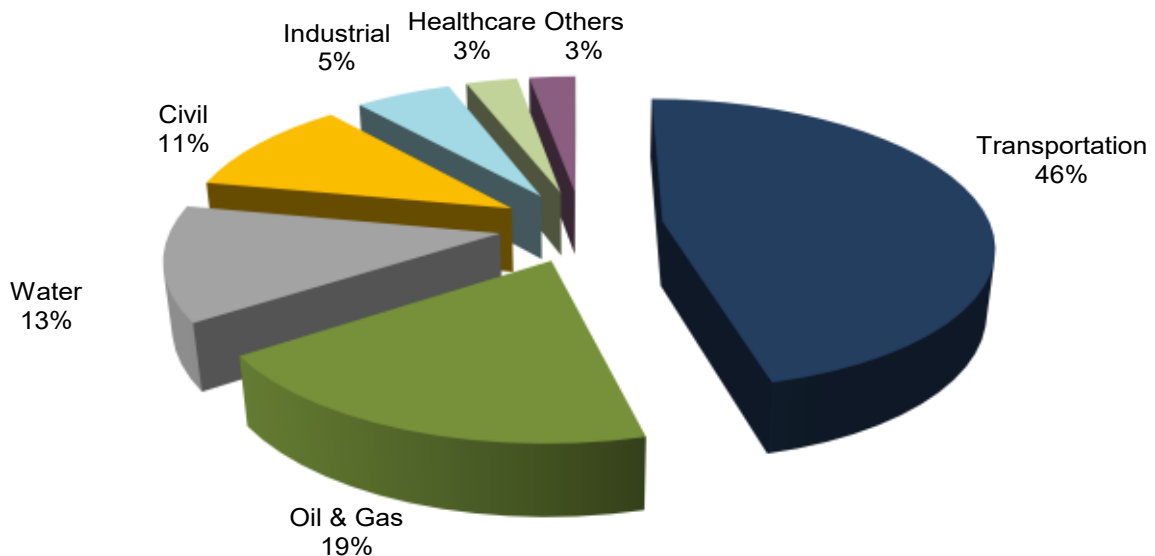
Overview of Awarded Contracts By Sector During Q2 2022

The transportation sector witnessed a sizeable increase in awards contracts during Q2'22 as it reached SAR22.3 billion (\$6 billion) or 46 percent of the total. A number of large mega-projects were awarded pertaining to infrastructure developments at Neom. The sector was also supported by contract awards from the Ministry of Transport's road network development across the Kingdom and the Saudi Ports Authority 's (Mawani) development of major ports in Jeddah and Jubail.

The oil & gas sector continued to see sizeable projects being awarded during Q2'22 to reach SAR9.7 billion (\$2.6 billion) or 19 percent of the total. Saudi Aramco led the awards as major works are scheduled to begin at the Safaniya plant and the Jafurah gas field in the Eastern Province. The Neom Green Hydrogen Company awarded a sizeable contract pertaining to the development of ammonia and hydrogen plants.

The water sector garnered the third largest share of awarded contracts with SAR6.1 billion (\$1.6 billion) or 13 percent of the total. The three main awarders were the Ministry of Environment Water and Agriculture (MEWA), the Saline Water Conversion Corporation (SWCC), the Saudi Water Partnership Company (SWPC), and the National Water Company (NWC). The larger projects included the construction of a desalination plant in Shuaibah, construction of water networks in the Eastern Province, and developing drinking water networks in Jeddah.

Value of Awarded Contracts by Sector During Q2 2022



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



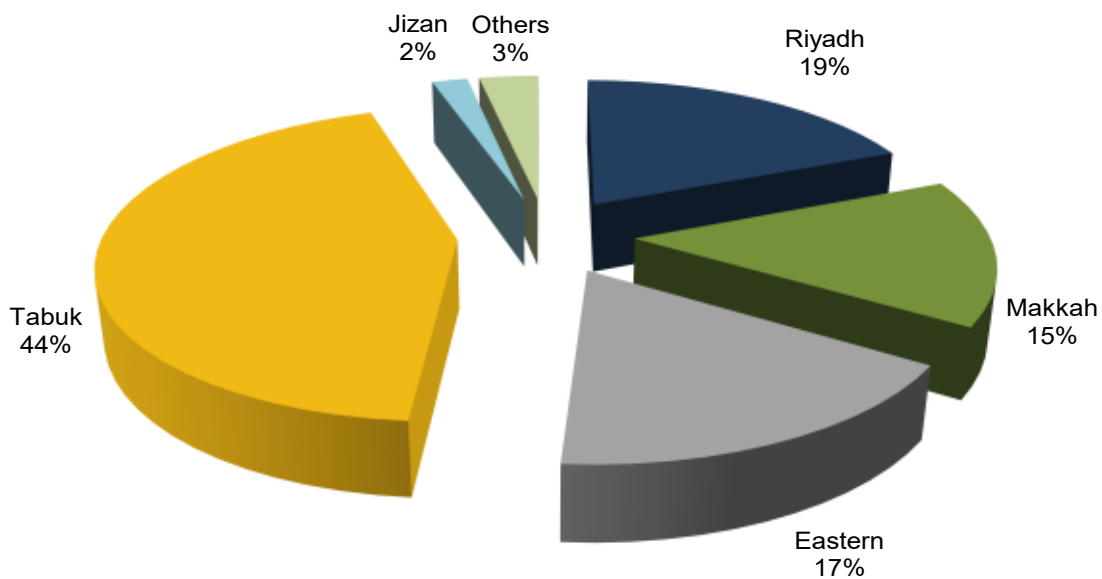
Overview of Awarded Contracts By Region During Q2 2022

The Tabuk region captured the largest share of awarded contracts by region with SAR21.2 billion (\$5.7 billion) or 44 percent of the total. Neom’s awarding of three large scale infrastructure packages including the initial development of ‘The Line,’ accounted for SAR17.6 billion (\$4.7 billion) or 83 percent of Tabuk’s total. The other contributing sector was oil & gas with SAR3.6 billion (\$960 million) or 17 percent. The oil & gas sector witnessed two contract awards in Tabuk as part of the Neom Green Hydrogen Company’s first two contracts.

The Riyadh region registered the second highest tally as it attracted SAR9.1 billion (\$2.4 billion) or a 19 percent contribution. The Riyadh region witnessed a diversified mix of awarded contracts from the civil, transportation, real estate, and healthcare sectors. The biggest contributor to the Riyadh region was the civil sector, which accounted for SAR5.1 billion (\$1.4 billion) or 56 percent of the total. The King Salman Park project generated the largest contract award for the civil sector and the Riyadh region. The transportation sector contributed with SAR3.8 billion (\$1 billion) or 41 percent of the total.

The Eastern Province contributed SAR8.4 billion (\$2.2 billion) or 17 percent of the total. The oil & gas sector accounted for the highest share with SAR6.1 billion (\$1.6 billion) or 72 percent. The water sector accounted for a majority of the remaining contracts in the Eastern Province with SAR2 billion (\$530 million) or 24 percent. Other contributing sectors included real estate, power, transportation, and industrial.

Value of Awarded Contracts by Region During Q2 2022



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



Breakdown of Awarded Contracts Across Top Performing Sectors

Transportation

The transportation sector's 14 contracts during Q2'22 elevated its share of awarded contracts to an impressive SAR22.3 billion (\$6 billion), marking the highest quarterly tally in 9 years when SAR94.1 billion (\$25.1 billion) worth of awards were given in Q3'13. The awarding of large infrastructure packages at Neom City's 'The Line' during the quarter accounted for the surge in value. The transportation sector grew by SAR19.1 billion (\$5.1 billion) or 597 percent YoY during Q2'22 and by SAR15.5 billion (\$4.1 billion) or 229 percent QoQ. Through H1'22 the transportation sector has garnered the highest value of awarded contracts with SAR29.1 billion (\$7.8 billion), which is SAR23.7 billion (\$6.3 billion) or 437 percent higher than H1'21. It also accounts for 31 percent of the total value of contracts through H1'22.

Neom awarded three contracts in June worth SAR17.6 billion (\$4.7 billion) after awarding three contracts during Q1'22. The largest contract was awarded in the amount of SAR10.4 billion (\$2.8 billion) to a joint venture consisting of China State Construction Engineering Corporation, Spain's FCC Construction, and the local Shibh Al Jazira Contracting. This contract was the first of two of the largest drill and tunneling contracts in the world as part of 'The Line's' backbone infrastructure. The tunnels work will be over 28 kilometers in length and provides separate tunnels for high-speed and freight rail services. This contract pertains to the drill and blast running tunnels that will also include civil works and the construction of associated facilities. According to MEED Projects, the project is expected to be completed by the fourth quarter of 2024.

The second contract was awarded to a joint venture consisting of South Korea's Samsung Engineering, Hyundai Engineering, and Greece's Archirodon in the amount of SAR6.9 billion (\$1.9 billion). According to MEED Projects, work will include the excavation of running tunnels and cross passages as well as the installation of supporting drainage, membrane waterproofing systems, and concrete works. The project is expected to be completed by the third quarter of 2025.

The third contract awarded by Neom pertained to the development of module 40 at 'The Line,' one of 135 total modules that will be constructed. The SAR230 million contract (\$61 million) was awarded to the U.K.'s Keller Group PLC and will consist of constructing major piling works, enabling works, foundation works, and site preparation. The project is expected to be completed by the third quarter of 2023.

Another sizeable infrastructure contract in the transportation sector was awarded by Rua Al Madinah to a joint venture consisting of China Railway 18th Bureau and the local Abdul Ali Alajmi Company in the amount of SAR3.6 billion (\$974 million) during June. The contract is part of the initial development of Rua Al Madina, which will witness the development of over 1.5 million square meters that will add 47,000 hotel



rooms by 2030. Approximately 63 percent of the total land area will be earmarked for green areas and open space. The project is expected to help increase the number of Umrah pilgrims in Madinah to 30 million by 2030. The scope of infrastructure packages one and two consist of constructing automobile tunnels, four wide pedestrian bridges, construction of King Abdulaziz road and Airport road tunnels, excavation works, and developing a drainage and sewerage system among other associated works. According to MEED Projects, the project is expected to be completed by the first quarter of 2024.

Mawani awarded two contracts in April and May pertaining to development works at the Jeddah Islamic Port and the King Fahd Industrial Port in Jubail. The Jeddah Islamic Port contract was awarded to the local Projects Company for Marine Services in the amount of SAR458 million (\$122 million). According to MEED Projects, the project will include the construction of six berths with design depths of 16 meters, developing quay walls, dredging and reclamation works, and wharf infrastructure. The project is expected to be completed by the second quarter of 2024.

The second project awarded by Mawani pertained to the construction of a backup power station at King Fahd Industrial Port. The SAR101 million (\$27 million) contract was awarded to the local Osama Bin Zaid Azraq Group. According to MEED Projects, the work will include the construction of five diesel units with a capacity of 13.5MW, an administration building, fuel storage tanks, a guard room, and civil and mechanical works. The project is expected to be completed by the first quarter of 2024.

Oil & Gas

Oil & gas maintained its position as a top performing sector after it witnessed 11 contract awards worth SAR9.7 billion (\$2.6 billion). The awarding of contracts by Saudi Aramco as part of its oil field developments in the Eastern Province and the Neom Green Hydrogen Company's construction of facilities at Neom accounted for all the contracts during Q2'22. The oil & gas sector grew by SAR6.6 billion (\$1.8 billion) or 218 percent YoY but declined by SAR5.4 billion (\$1.4 billion) or 36 percent QoQ. Through H1'22, the oil & gas sector has attracted the second highest value of awarded contracts with SAR24.7 billion (\$6.6 billion), which is SAR17.8 billion (\$4.8 billion) higher than H1'21. It also accounts for a 26 percent share of awarded contracts through H1'22.

Saudi Aramco awarded 9 contracts in June worth SAR6.1 billion (\$1.6 billion) as a majority of the projects involved the development and installation of offshore jackets across its plants in the Eastern Province. The largest of these contracts was awarded to the U.A.E.'s National Petroleum Construction Company at the Jafurah gas field. The SAR1.7 billion (\$460 million) project comprises of constructing a new offshore platform, a metering skid, one single-point mooring buoy, subsea pipelines, and upgrading existing auto sampling skids. According to MEED Projects, the project is expected to be completed by the fourth quarter of 2024.



A second contract was awarded to the National Petroleum Construction Company in the amount of SAR800 million (\$213 million) for the installation of 14 jackets at the Manifa plant. Additional work will include the installation of deck and topsides in a fixed offshore platform, tie-in platforms, laying of trunk lines, and the construction of associated facilities. The project is expected to be completed by the fourth quarter of 2024.

Four contracts were awarded by Saudi Aramco to Italy's Saipem. The first contract was valued at SAR675 million (\$180 million) and calls for the installation of six jackets at Abu Safah, Marjan, and Safaniya fields. The project is expected to be completed by the second quarter of 2025. The second contract awarded to Saipem calls for the installation of two production deck modules, two subsea cables, laying of pipelines, and the construction of storage facilities. The SAR600 million (\$160 million) project is expected to be completed by the fourth quarter of 2024.

The third contract awarded to Saipem was in the amount of SAR563 million (\$150 million) and involved the installation of two production deck modules, laying of pipelines, and construction of associated facilities at the Qatif offshore field. The fourth contract called for the same scope of work but at the Safaniya oil field in the amount of SAR338 million (\$90 million). Both contracts are expected to be completed by the fourth quarter of 2024.

The three remaining contracts awarded by Saudi Aramco went to a joint venture between India's Larsen & Toubro and the U.K.'s Subsea 7. The three contracts, which were in the amount of SAR1.4 billion (\$365 million) pertained to the installation of 30 jackets, tie-in platforms, and laying trunk lines at the Safaniya oil field. The projects are expected to be completed by the fourth quarter of 2024.

The Neom Green Hydrogen Company awarded two contracts worth SAR3.6 billion (\$960 million) for the Helios Green Fuels Project. The first contract was awarded in May to U.S. company Air Products in the amount of SAR3.4 billion (\$900 million). Air Products will be responsible for the construction of a green ammonia production plant with the capacity of 1.2 million tons per year and the construction of a hydrogen production plant with a capacity of 650 tons per year. Additional work will include constructing a nitrogen production unit by air separation, constructing two ammonia storage tanks, and installing process heater systems. According to MEED Projects, the project is expected to be completed by the fourth quarter of 2026.

The second contract awarded by the Neom Green Hydrogen Company went to a joint venture consisting of the local Almajal Alarabi Construction, Germany's SPG Solutions for Petroleum & Gas, and Lebanon's MAN Enterprise. The SAR225 million (\$60 million) project will include the construction of two ammonia storage tanks, a pumping station, a control room, laying of pipelines, and installation of surface facilities.



The project is expected to be completed by the fourth quarter of 2026.

Water

The water sector witnessed a climb in awarded contracts during Q2'22 as it reached SAR6.1 billion (\$1.6 billion) from 15 contracts. The majority of contracts were awarded by the NWC, SWCC, SWPC, and MEWA pertaining to the construction of water distribution networks, desalination plants, and water storage facilities across the Kingdom. The water sector grew by SAR2.8 billion (\$757 million) or 86 percent YoY and by SAR2.9 billion (\$781 million) or 89 percent QoQ. Through H1'22 the water sector attracted SAR9.3 billion (\$2.5 billion) worth of awarded contracts, an increase of SAR3.9 billion (\$1 billion) or 72 percent higher than H1'21.

SWPC accounted for the highest share of awarded contracts in the water sector with a single contract worth SAR1.9 billion (\$512 million). The contract was awarded in June to a joint venture consisting of the U.S.'s Louis Berger, South Korea's Doosan Enerbility, and the local KFB Holding Group. The project, known as Shuaibah 3 IWP, will involve the construction of a reverse osmosis desalination plant with a capacity of 600,000 m³/d. Additional work will include the construction of a seawater intake system and storage tanks, installation of photovoltaic (PV) solar panels, pressure exchangers, membranes, and pumps. Doosan Enerbility will construct the desalination plant while Louis Berger and KFB Holding Group will develop the 60MW solar power project. The project is expected to be completed by the second quarter of 2025.

MEWA awarded four contracts worth SAR1.9 billion (\$496 million). All four contracts were awarded in April to the local Alkhorayef Group to construct water networks and storage reservoirs in the Eastern Province. The largest of these contracts was valued at SAR593 million (\$158 million) for the construction of a water network in Dammam. According to MEED Projects, the scope of the project will include constructing operational tanks with storage capacities of 180,000 m³, installation of 55 tanks with storage capacities of 25,000 m³, construction of pumping stations and distribution networks, and the installation of valves and pipes. The contract is expected to be completed by the fourth quarter of 2024.

NWC awarded six contracts worth SAR1.2 billion (\$310 million) with a majority of them pertaining to constructing drinking water networks in the Makkah region. The largest of these contracts was awarded in June to a joint venture between India's Koya and Company Construction Limited and the local Nesma Water & Energy. According to MEED Projects, the SAR416 million (\$111 million) project calls for the construction of a water transmission line in Jeddah. Additional work will include laying of a 40 km water network, installation of a collector system, refurbishment works and the construction of treatment facilities. The project is expected to be completed by the fourth quarter of 2024.



SWCC awarded two contracts worth SAR1.1 billion (\$283 million). The larger contract was awarded in June to a joint venture between the local Alfanar Construction and Al Sharif Group in the amount of SAR926 million (\$247 million) for phases 3 & 4. The scope of the project includes developing a power supply network for the Shuqiaq-Abha water transmission system. The project is expected to be completed by the second quarter of 2026.

Contract Awards Outlook

The value of contract awards thus far through H1'22 has already reached 67 percent of 2021's total on the back of robust investments across numerous Vision 2030 initiatives. Neom's infrastructure projects in the transportation sector, King Salman Foundation's development of King Salman Park, and Lucid Group's construction of an electric vehicle manufacturing plant were one of the most significant projects awarded during Q2'22. Furthermore, the oil & gas sector led by Saudi Aramco, and the water sector witnessed sizeable contracts that aided in the surge of awards.

The Kingdom's oil revenues thus far through H1'22 increased by 75 percent YoY to reach SAR434 billion (\$116 billion). The windfall in oil revenues has prompted a change in the government's tendency to adopt procyclical spending to a more prudent strategy that promotes fiscal responsibility. The gradual shift in the rise of the private sector's participation to develop the Kingdom's non-oil economy is bearing fruit. Investments in physical and social infrastructure projects with the support of the private sector has aided in the construction sector's contribution to GDP and has provided new employment opportunities for Saudis. The culmination of supportive macroeconomic conditions since the outbreak of COVID-19 will see the Kingdom's GDP rise to an estimated 7.5 percent in 2022, the highest in 10 years.

Nonetheless, the government has escalated its capital expenditure (capex) spending during Q2'22 after a slow start during Q1'22. The pickup in capex, which reached SAR50.8 billion (\$13.6 billion) through H1'22 is 38 percent higher than the same period in 2021. Capex spending thus far accounts for 55 percent of the category's budget set for 2022. The current pace of capex is on track to surpass the budgeted SAR92 billion (\$24.5 billion) for 2022.

Looking ahead, a number of sizeable contracts are expected to be awarded during Q3'22 that are anticipated to further elevate the construction sector. Infrastructure packages at Neom, Saudi Aramco's development of the Jafurah plant, SWCC's water transfer program, Roshn's residential real estate development projects, and the mixed-used real estate project in Makkah by Umm Al Qura will support the pipeline of upcoming construction projects for the remainder of 2022 and into 2023.



Notable Contracts During Q2 2022

Sector	Region	Client	Contractor	Details	Value (SAR million)
Transportation	Tabuk	NEOM	China State Construction Engineering Corporation/ FCC Construction/Shibh Al Jazira Contracting	Undertake drill and blast works for the West Package in NEOM City	10,425
	Tabuk		Samsung Engineering/ Archirodon/Hyundai Engineering	Develop the Cut and Cover Tunnel Section in NEOM City	6,938
	Riyadh	Rua Al Madinah Holding	China Railway 18th Bureau/ Abdul Ali Al Ajmi Company	Construction of Madinah Central Area Infrastructure Package 1 & 2	3,653
Civil	Riyadh	King Salman Foundation	Modern Building Leaders	Construction of 300K m2 Royal Art Complex at King Salman Park	4,999
Oil & Gas	Tabuk	NEOM Green Hydrogen Company	Air Products	Development of ammonia and hydrogen plants at NEOM	3,375
	Eastern	Saudi Aramco	National Petroleum Construction Company	Development of Offshore Loading Facilities at Jafurah Gas Field	1,725
	Eastern	Saudi Aramco	National Petroleum Construction Company	Installation of 14 jackets at Manifa plant	799
Industrial	Makkah	Lucid Group	Al Bawani	Construction of an electric car manufacturing plant at KAEC	2,400
Water	Makkah	SWPC	Louis Berger/Doosan Enerbility/KFB Holding Group	Construction of a water desalination plant in Shuaibah	1,920
	Jizan	SWCC	Alfanar Construction/ Al Sharif Group	Power supply to pumping stations for Shuqaiq-Abha WTS	926
Healthcare	Makkah	Fakeeh Care Group	Umm Al Qura Development & Construction	Construct a 200 bed private hospital in Makkah	1,000



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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