

USSBC Contract Awards Index: Fourth Quarter of 2019 Review of Construction Contract Awards in Saudi Arabia



U.S.-Saudi Business Council
مجلس الأعمال السعودي الأمريكي

The USSBC Contract Awards Index (CAI) is an original report created by the U.S.-Saudi Business Council's economist. This report provides a sense of direction on construction activities that will transfer to the execution phase over the next 6 to 18 months. It encompasses construction related contract awards across all sectors within Saudi Arabia. The USSBC CAI is intended to be used as a forward looking indicator to gauge the health of construction activities. The CAI is calculated using a 12-month exponential moving average. This calculation allows for data smoothing while reducing the effects of outliers within the observation period. In general, a CAI reading of 100 points and above indicates an expansion while a sub-100 point reading indicates a possible contraction. Highlights from our initial Q4 2019 report are shown below. Updates are published on a quarterly basis.

Contracts Awarded by Sector



34%



22%



18%



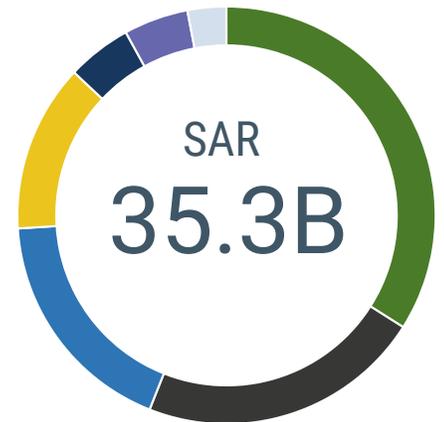
13%



5%



5%



A majority of the awarded contracts were in real estate, oil & gas, water, and power which accounted for approximately 87% of the total value of contracts awarded. Petrochemicals, transportation, and industrial contracts accounted for 12% of the total value while 1% were awarded in other sectors.

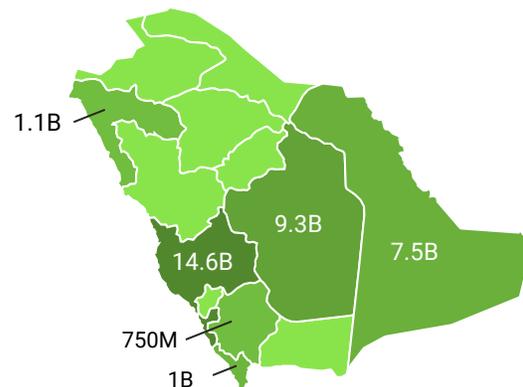
Contract Awards Index Over Time



The USSBC Contract Awards Index (CAI) hit 210 points at the end of the fourth quarter of 2019, increasing its streak to seven consecutive months above the 200-point mark.

Contract Awards By Province

The majority of contracts were awarded in Makkah (41%), Riyadh (26%), and the Eastern Province (21%). Makkah outpaced Riyadh and the Eastern Province for the first time in 2019. Real estate contracts beat out oil & gas for the first time as the Ministry of Housing broke ground on several large-scale housing projects. Q4 also saw SAR4.4 (\$1.2 billion) in power contracts including a 1.1GW solar plant in Riyadh.



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



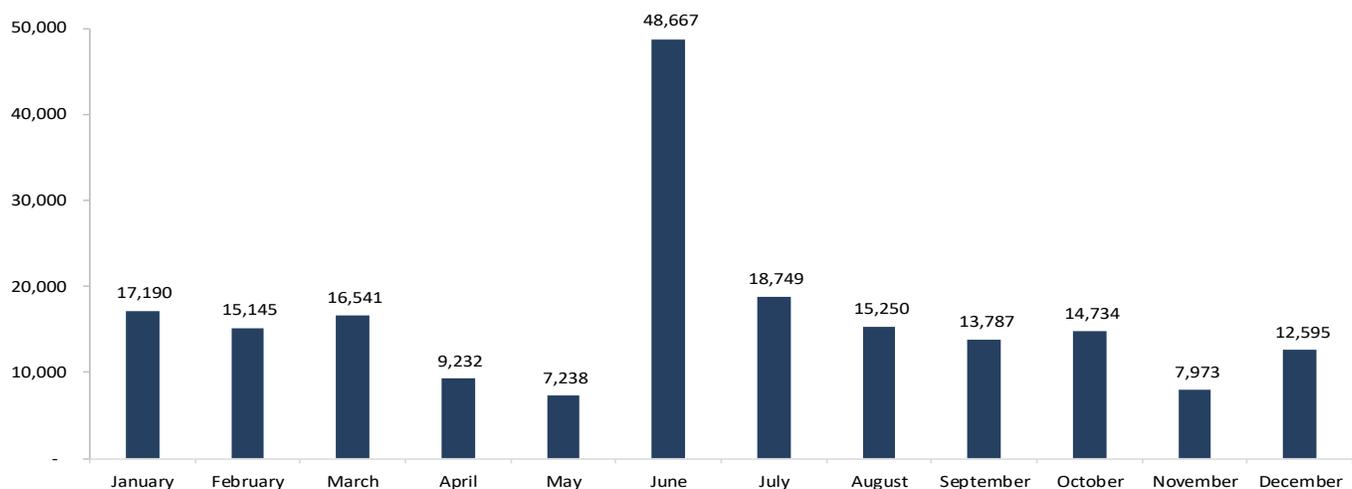
USSBC Contract Awards Index Fourth Quarter 2019

USSBC Quarterly Review of Contract Awards in Saudi Arabia

Highlights

1. The total value of awarded contracts during the fourth quarter reached SAR35.3 billion (\$9.4 billion), marking a decrease compared to last quarter. The total value of awarded contracts for full year 2019 reached SAR197.1 billion (\$52.6 billion), which is the highest amount since 2015.
2. The USSBC Contract Awards Index reached 210.27 points, increasing its streak to seven consecutive months above 200 points.
3. The real estate sector registered the highest value of awarded contracts with approximately SAR12.1 billion (\$3.2 billion).
4. The oil & gas sector edged down to second from last quarter's top spot as the value of awarded contracts reached approximately SAR7.7 billion (\$2 billion).
5. The water sector rose to third position with SAR6.3 billion (\$1.7 billion) worth of contract awards.

Value of Awarded Contracts in 2019 (SAR Millions)



Source: Various Sources, USSBC

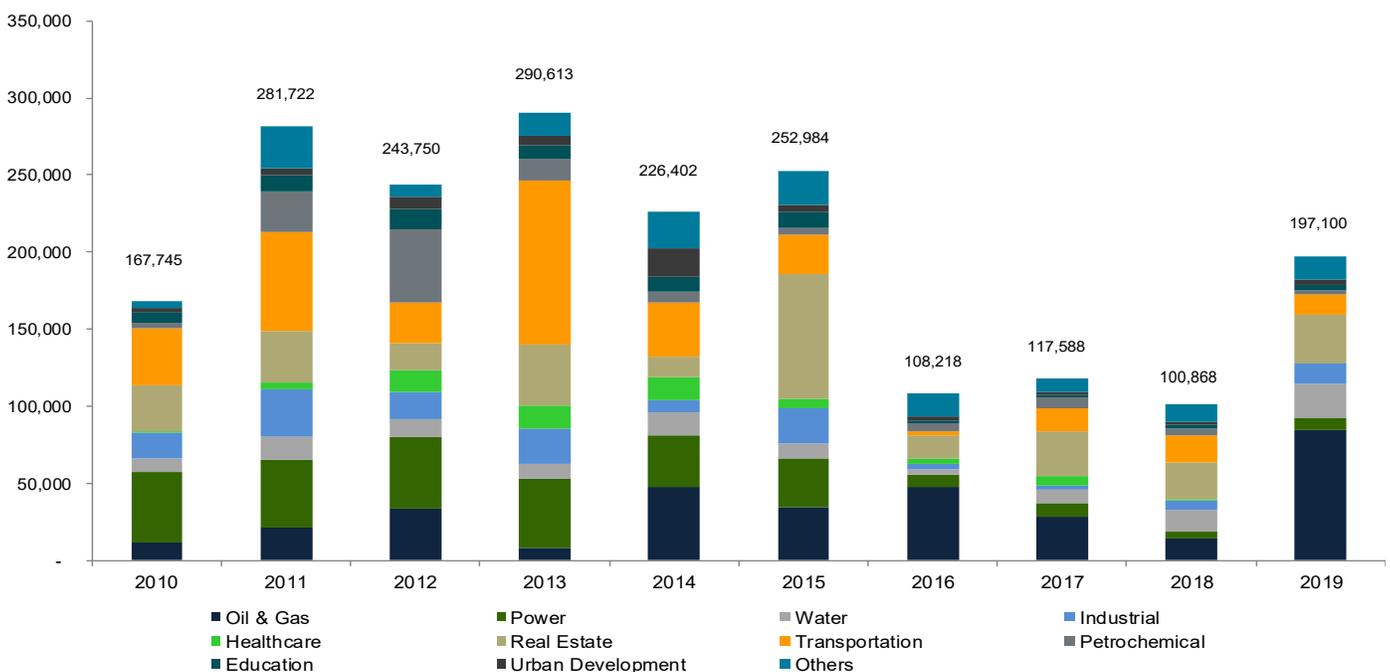


Overview of Awarded Contracts During Q4 2019

The value of awarded contracts reached SAR35.3 billion (\$9.4 Billion) during Q4'19 as the pace of construction activities continue unabated. Although the value of awarded contracts in Q4'19 decreased by SAR12.5 billion (\$3.3 billion) or 26 percent compared to last quarter, 2019 ended as the highest grossing awarded contracts by value since 2015. On a y-o-y basis, the value of awarded contracts grew by 34 percent compared to Q4'18. The strong rebound in construction activities during 2019 resulted in approximately SAR197.1 billion (\$52.6 billion) in awarded contracts, marking an impressive 95 percent increase over 2018. The Kingdom's drive to enhance both physical and social infrastructure capabilities through numerous Vision Realization Programs (VRPs) was evident this past year. These positive developments, which came to fruition in 2019, are expected to expand in the coming years to achieve the Kingdom's medium to long-term Vision 2030 targets.

The SAR35.3 billion (\$9.4 billion) in awarded contracts during Q4'19 witnessed the real estate sector rise to the top spot after the oil & gas sector led the previous three quarters. The oil & gas sector dropped to second place, while the water sector surged to finish out the top three spots. These three sectors accounted for approximately 74 percent of all awarded contracts, as the oil & gas and real estate sectors maintained their top positions throughout 2019. Other significant contributors were the power, petrochemicals, and transportation sectors. While the value of awarded contracts in 2019 fell short compared to years prior to 2016, the chart below illustrates a revival in the magnitude of construction activities witnessed during the year.

Value of Awarded Contracts by Year (SAR Millions)



Source: Various Sources, USSBC



USSBC’s Contract Awards Index Performance Through Q4 2019*

The USSBC Contracts Awards Index (CAI) reached 210.27 points at the end of the fourth quarter. This marks the seventh consecutive month the CAI has remained above the 200 point mark despite a slide during Q3 and Q4. The CAI’s 210.27 points marks an 11 percent decrease q-o-q compared to Q3 but grew by 70 percent y-o-y compared to last year. The CAI decreased each month of Q4 as it reached 232.86 points in October followed by 214.98 points in November, and 210.27 in December. The spike in awarded contracts in June, which led the CAI to reach its highest total of 245.67 points in July aided in the recovery. The last time the CAI surpassed 200 points occurred in April of 2016.

The CAI is poised to continue its streak above 200 points into 2020 as continued mega-projects will keep the CAI at elevated levels. The government’s commitment to increase the number of mega-projects in 2020 compared to 2019 will bode well for contractors. Moreover, the growth of construction and contracting activities will provide growth opportunities in the non-oil sector through employment creation, increased demand for building materials, and access to financing (SMEs in particular).

USSBC Contract Awards Index Performance



Source: Various Sources, 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.

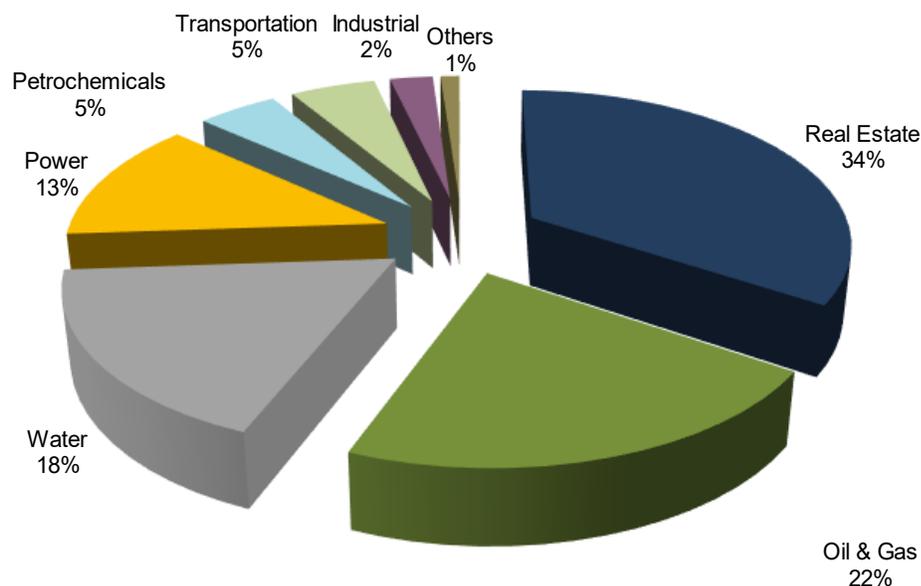


Overview of Awarded Contracts By Sector During Q4 2019

Real estate emerged as the top sector in the value of awarded contracts during Q4'19. The real estate sector has been the recipient of numerous contracts throughout 2019, with a particular emphasis on the residential market. Of the SAR12.1 billion (\$3.2 billion) in awarded contracts in the real estate sector, the residential market accounted for approximately 94 percent or SAR11.3 billion (\$3 billion) of the total. For 2019, the real estate sector garnered approximately 16.5 percent or SAR32.5 billion (\$8.7 billion) of the total SAR197.1 billion (\$52.6 billion) in awarded contracts. This total ranks as the fifth highest result in the CAI's history for the real estate sector. 2015's total of SAR81.3 billion (\$21.7 billion) remains the highest.

The oil & gas sector generated the second highest value of awarded contracts during Q4'19 with SAR7.7 billion (\$2 billion). This marks the first quarter in 2019 that the oil & gas sector did not register the highest value of awarded contracts. However, the oil & gas sector had the highest value of awarded contract in 2019 by a wide margin, netting approximately 43 percent or SAR84.2 (\$22.5 billion) of total awards. Having already surpassed its previous high of SAR60.5 (\$16.1 billion) set in 2009 by Q3'19, the oil & gas sector achieved the second highest value of any sector since 2008 when the transportation sector attracted approximately SAR105.8 billion (\$28.2 billion) in 2013. The water sector climbed to the third position with approximately SAR6.3 billion (\$1.7 billion). This brought the total value of awarded contracts for the water sector in 2019 to SAR21.9 billion (\$5.8 billion), accounting for 11 percent of the total. It also marks the highest value of awarded contracts ever for the water sector since the CAI's inception.

Value of Awarded Contracts by Sector During Q4 2019



Source: Various Sources, USSBC

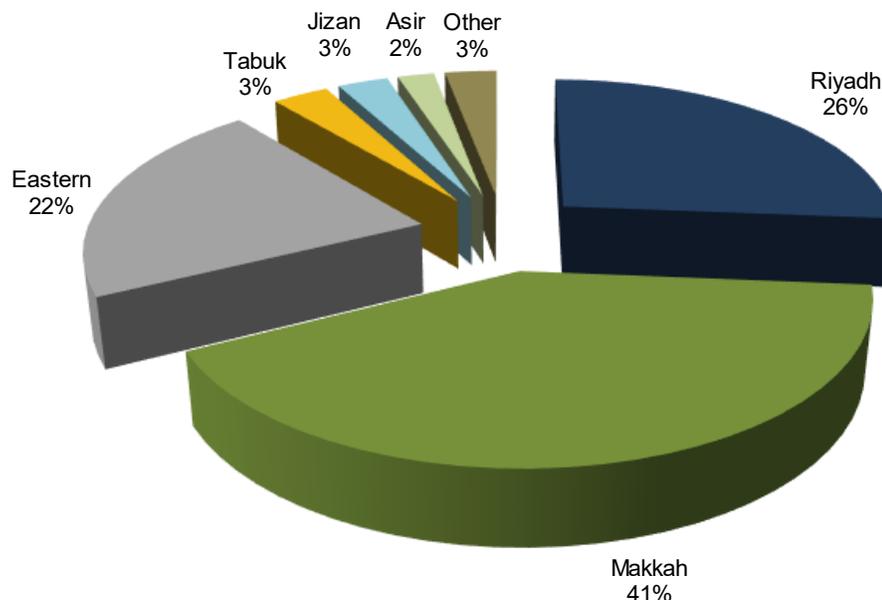


Overview of Awarded Contracts By Region During Q4 2019

The Makkah region dominated the awarded contracts in Q4'19 as it garnered the highest share for the first time in 2019. The Makkah region's SAR14.6 billion (\$3.9 billion) or 41 percent share of awarded contracts was mainly attributed to a number of mega-projects that were awarded in the oil & gas and real estate sectors. Those two sectors accounted for 48 percent and 38 percent, respectively of total contracts awards. The oil & gas sector had one contract in the Makkah region, which was awarded by Saudi Aramco to Samsung Engineering in the amount of SAR6.9 billion (\$1.9 billion) for the construction of a gas storage facility. The Ministry of Housing awarded two contracts that involve the construction of approximately 25,000 residential units as part of the Kingdom's plan to provide affordable housing to its citizens. For the year, the Makkah region has contributed approximately SAR33 billion (\$8.8 billion) or 17 percent of the total value of awarded contracts.

The Riyadh region contributed approximately SAR9.3 billion (\$2.5 billion) or 26 percent of the total awarded contracts during Q4'19. The water, power, and real estate sectors contributed SAR3.4 billion (\$907 million) or 37 percent, SAR3 billion (\$812 million) or 33 percent, and SAR2.6 billion (\$682 million) or 28 percent, respectively. For the year, the Riyadh region accounted for approximately SAR24.6 billion (\$6.6 billion) or 12 percent of the total value of awarded contracts. The Eastern region garnered the third highest value of awarded contracts, accounting for SAR7.5 billion (\$2 billion) or 22 percent for Q4'19. The Eastern region previously dominated the last three quarters as numerous mega-projects in the oil & gas sector were the largest contributors. For the year, the Eastern region accounted for approximately SAR107.6 billion (\$28.7 billion) or 55 percent of the total value of awarded contracts.

Value of Awarded Contracts by Region During Q4 2019





Breakdown of Awarded Contracts Across Top Performing Sectors

Real Estate

The real estate sector led all other sectors during Q4'19 with SAR12.1 billion (\$3.2 billion) after placing second the last two quarters. The real estate sector during Q4'19 grew by 185 percent y-o-y as the residential real estate market was the largest contributor within the real estate sector. The residential real estate market contributed the largest share with 94 percent, while commercial and mixed-use real estate contracts rounded out the remaining 6 percent. On an annual basis, the real estate y-o-y growth in 2019 compared to 2018 increased by 39 percent. The Ministry of Housing was the biggest awarder of contracts as it contracted numerous projects to local and international contractors to construct affordable housing units across the Kingdom.

The largest contract in the real estate sector was awarded by the Ministry of Housing to Laseef Alfajr for the construction of residential units in Jeddah during October. The SAR4.5 billion (\$1.2 billion) call for Laseef Alfajr to construct 21,302 dwellings, of which phase one will include 9,502 residential units. The development spans over 1.41 million square meters and will include playgrounds, mosques, and supporting facilities. The project is expected to be completed by the fourth quarter of 2025.

Two contracts in the amount of SAR2.4 billion (\$640 million) were awarded by the Ministry of Housing. The first occurred in October and was awarded to Ansab for the development of a housing complex in Riyadh. The project will be developed on 2.7 million square meters of land and will consist of 5,018 townhouses and 572 apartments units. Ansab will also construct 14 mosques, eight schools, 14 gardens, four health centers and supported facilities. The project is expected to be completed by the fourth quarter of 2023.

The second SAR2.4 billion (\$640 million) contract was awarded to Saudi Pan Kingdom in November to develop a multi-phase residential project in Al-Ahsa in the Eastern Province. The total expected number of constructed dwellings is 4,380 units. Phase one will consist of 2,945 units; 2,376 townhouses, 568 villas, three mosques, eight schools, three gardens, and parking facilities. Phase two will consist of 1,435 units along with supported facilities. The project is expected to be completed by the fourth quarter of 2023.

The Ministry of Housing awarded a SAR990 million (\$264 million) contract to China's Sinohydro in October for development of residential units in several provinces. Sinohydro will develop a total of 3,753 units; 1,732 units in Asir, 1,399 units in Jizan, 444 units in Al-Baha, and 178 units in Makkah. The project is expected to be completed by the first quarter of 2022.



Oil & Gas

The oil and gas sector had only three contracts in Q4'19 that were awarded by Saudi Aramco totaling SAR7.7 billion (\$2 billion). The value of awarded contracts in Q4'19 jumped by 582 percent y-o-y compared to Q4'18. The total value of awarded contracts for 2019 climbed to SAR84.2 billion (\$22.5 billion) compared to 2018, marking a 493 percent increase over 2018, which totaled SAR14.2 billion (\$3.8 billion). Saudi Aramco expanded its investments in the oil & gas sector across all phases with an emphasis on infrastructure enhancements, improving the piping expansion and efficiency of oil & gas, and increasing its offshore capabilities.

The largest contract awarded by Saudi Aramco in December was to Samsung Engineering in the amount of SAR6.9 billion (\$1.9 billion). The project calls for Samsung Engineering to construct an underground sales gas storage facility with a capacity of 1,500 million standard cubic feet per day (MMSCFD) in the Makkah region. The scope of the work will include construction of a gas injection facility with booster and injection compressors, construction of a gas reproduction facility with reproduction compressors and slug catchers, and associated facilities. The facility is expected to be expanded up to 2,000 MMSCFD. The project is expected to be completed by the third quarter of 2023.

The second largest contract was awarded by Saudi Aramco in November to Italy's Sicim for the construction of an oil pipeline project from Jizan to Abha. The SAR450 million (\$120 million) project involves the infrastructure development related to installing a 91.4 kilometer 16 inch diameter oil pipeline along with associated facilities. The project is expected to be completed by the second quarter of 2021.

A smaller contract was awarded by Saudi Aramco in October to Target Engineering in the amount of SAR281 million (21.7 million). Target Engineering will upgrade the development of a water disposal facility at Qatif's gas-oil separation plant in the Eastern Province. The project includes development and installation of a water-oil separation vessel, water pumps, and pipelines along with associated facilities. The project is expected to be completed by the third quarter of 2022.

Water

The water rounded out the top three sectors with awarded contracts valued at SAR6.3 billion (\$1.7 billion). The Ministry of Environment, Water, and Agriculture, Saline Water Conversion Corporation (SWCC), and the Saudi Water Partnership Company (SWPC) were the main awarders of contracts. For 2019, the total value of awarded contracts in the water sector reached SAR21.9 billion (\$5.8 billion). This marks a 56 percent increase over 2018, which totaled SAR14.1 billion (\$3.8 billion). The jump in water sector projects, which accounted for 11 percent of all awarded contracts in 2019 focused on expanding and developing the availability of fresh water to consumer and commercial enterprises. It also included numerous projects aimed at increasing sewage connections across the Kingdom along with needed associated plants.



The largest contract was awarded in October by SWCC to Al Rashid Trading & Contracting in the amount of SAR1.3 billion (\$346 million). The project calls for Al Rashid Trading & Contracting to construct a 128 kilometer water transmission system from Jubail to other areas in the Eastern Province. The project involves establishing new pipeline destinations along with expanding current ones. The project is expected to be completed by the third quarter of 2022.

The second largest contract was also awarded in October as SWPC awarded a SAR600 million (\$160 million) contract to a consortium of Spain's Cobra Instalaciones y servicios and International Water Distribution Company (Tawzea). The consortium will construct an independent sewage treatment plant in Taif. The plant is expected to have an initial capacity of 100,000 m³/day to be commercial by 2022 and 270,000 m³/day capacity after expansion by 2031. The current scope involves the first phase of the plant along with storage tanks, inlet/outlet channels, effluent treatment units, aeration tanks, filters, and associated facilities. The entire project is expected to be completed by the second quarter of 2031.

The remaining water contracts involved expanding water transmission systems across the Kingdom along with their associated pump stations and reservoirs.

Power

There was a noteworthy contract in the power sector that was awarded in November by the Public Investment Fund (PIF) to a consortium consisting of Spain's Abengoa and China Energy Engineering Group. The SAR2.7 billion (\$732 million) contract calls for the construction of a solar photovoltaic plant in Sudair, Riyadh region. The scope of work includes construction of a 1,000 MW solar PV plant along with the installation of solar panels, transformers, photovoltaic panels, transmission lines, and substations. The project is expected to be completed by the third quarter of 2021.



Contract Awards Outlook

The value of awarded contracts witnessed a dramatic increase in 2019 after years of lower spending. Despite the pace of awarded contracts marginally slowing during Q4'19, the focus to improve the Kingdom's infrastructure coupled with growing private sector participation led to contracts worth SAR197.1 billion (\$52.6 billion), the highest total since 2015. Vision Realization Programs (VRPs) such as the Quality of Life Program, Housing Program, National Industrial Development and Logistics Program, Public Investment Fund Program and others have provided the investment boost needed to support the Kingdom's economy through targeted approaches. These VRPs have revived the construction sector as the magnitude of physical and financial commitments to achieve these targets were realized in 2019 and are expected to continue fueling the Kingdom's investments into the future.

The construction sector's contribution to GDP rebounded into positive territory in 2019 after seeing negative growth the last three years. The Kingdom's construction sector's contribution to GDP rose to 4.6 percent compared to 2018, the highest growth rate since 2014. This growth is supported by stronger non-oil and private sector contribution to GDP, which grew by 3.31 percent and 3.78 percent, respectively. The non-oil and private sectors witnessed the highest growth rates since 2014 as well. The private sector has had an active role in 2019 as more projects are being awarded by private companies. Private sector participation is one of the core objectives under Vision 2030 and is expected to provide new employment opportunities especially as the pipeline of mega-projects are anticipated to continue unabated.

While the Ministry of Finance anticipates lower budgeted capital expenditures in 2020 compared to the 2019 budget, actual spending in 2019 decreased to 16.4 percent of total expenditures. The decrease was mainly due to increased private sector participation which lifted some of the burden off of the government. Furthermore, the private sector also participated in the financing and allocation of working capital of new projects. Efficient project management controls also contributed to enhance the effectiveness of state spending on mega-projects. This is expected to continue in 2020 as capital expenditures are budgeted to reach SAR173 billion (\$46.1 billion) or 17 percent of total expenditures. The 2020 budget has allocated further spending across numerous sectors with the aim of improving education, healthcare, municipal development, and domestic security. For example, the 2020 budget's allocation for the education sector of SAR193 billion (\$51.5 billion), which is the highest expenditure by sector calls for ongoing construction of 653 projects and the restoration of 184 schools. The health sector has earmarked SAR167 billion (\$44.5 billion) for 2020 for the construction 35 hospitals with a capacity of 10,750 beds in addition to the establishment of one national medical research center. The transportation sector is expected to add 2,000 kilometers of new roads, accounting for approximately a 3 percent increase in the Kingdom's road network.



There are downside risks that are at play for 2020 which could impact spending in the construction sector. The oil sector has been under pressure since the Coronavirus (COVID-19) spread beyond China, and has become a global pandemic. The 2020 budget assumed oil would trade closer to the \$60 range per barrel, reflecting a rational estimate at the time. However, Brent crude is currently trading close to \$26 as global demand, particularly in China, has waned. The recent announcement by the Kingdom to increase production in April to more than 13 million bpd and offering discounts to its trade partners will further decrease prices. That scenario coupled with the challenge of containing the Coronavirus will be the biggest headwinds faced by the Kingdom in 2020.

The pipeline of mega-projects in the Kingdom will continue to fuel the construction sector. However, the challenges posed by the COVID-19 pandemic and depressed oil prices will challenge the pace of awards. Giga-projects like the Red Sea Development Company, recently announced it will more than double the value of awarded contracts in 2020 from SAR2.3 billion (\$613 million) in 2019 to SAR6.8 billion (\$1.8 billion) in 2020. The Qiddiya Investment Company has recently announced its plans to accelerate the pace of activities to meet its 2023 grand opening. The SAR19 billion (\$5 billion) giga-project will develop more than SAR8.5 billion (\$2.3 billion) alone on general infrastructure, which will include utility networks, walkways, roads, and public facilities.

The residential real estate sector as part of the Housing Program under Vision 2030 will also be a significant contributor in 2020. The Housing Program in 2020 is expected to increase homeownership among Saudi citizens to 60 percent, reduce the ratio between the average unit price and average annual per capita to 5 times, contribute to raising the local content to 63 percent, and raise mortgage opportunities by raising total mortgage loans to SAR502 billion (\$134 billion). Consequently the residential real estate sector will likely continue to be a major contributor to the total value of awarded contracts in 2020 as it did in 2019.



Notable Contracts During Q4 2019

Sector	Region	Client	Contractor	Details	Value (SAR Millions)
Oil & Gas	Makkah	Saudi Aramco	Samsung Engineering	Underground sales gas storage facility with a storage capacity of 1,500 million standard cubic feet per da	6,938
Real Estate	Eastern	Ministry of Housing	Saudi Pan Kingdom	Construction of 4,380 residential units	2,400
	Riyadh		Ansab	Residential complex of with 5,590 housing units, 14 business centers	2,400
	Makkah		Sinohydro	Construction of 3,753 housing units and 178 housing complexes	990
Power	Riyadh	Public Investment Fund	Abengoa, China Energy Engineering Group	Solar photovoltaic plant in Sudair and related facilities	2,745
Water	Riyadh	Ministry of Environment Water and Agriculture	National Water Company, SWCC, others	40 water projects	3,400
	Eastern	Saline Water Conversion Corp	Al Rashid Trading & Contracting	128km water transmission system from Jubail to Eastern Province	1,298
	Makkah	Saudi Water Partnership Company		Independent sewage treatment plant near Taif	600
Petrochemicals	Eastern	Saudi Petrochemical Company (Sadaf)	China Tianchen	Renovation of a Chlor-Alkali plant in the Jubail Chemistry Industrial Park	1,688
Transportation	Makkah	Jeddah Municipality		New road intersection at Madina Rd with Prince Mohammad Bin Abdulaziz Rd	900
Industrial	Eastern	Azmeel Contracting	China National Building Materials	Construction of an ultra-white float glass production line in Jubail	750

Source: Various Sources, USSBC

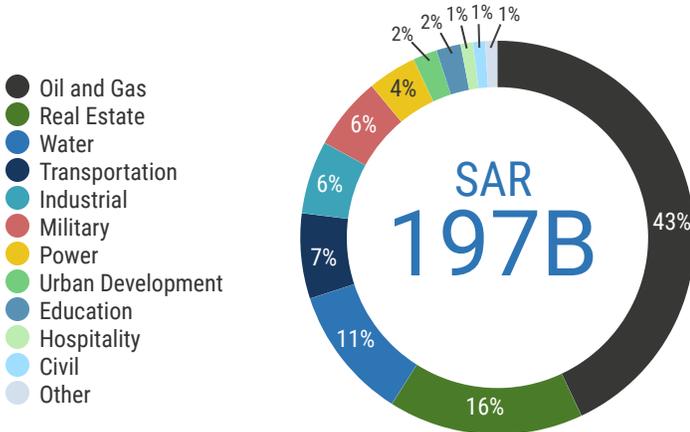
USSBC Contract Awards Index: 2019 Overview

Construction Contract Awards in Saudi Arabia

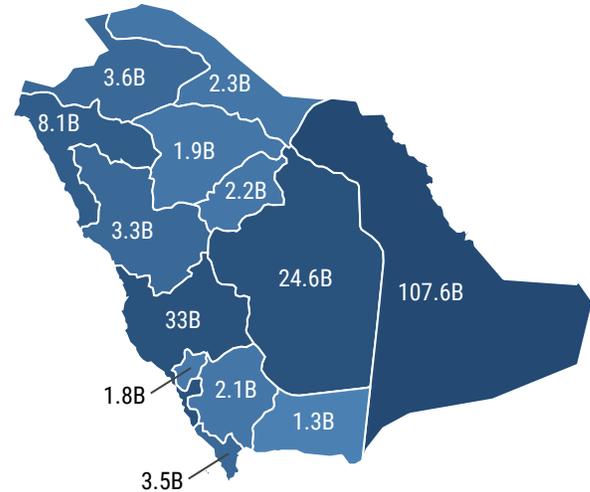


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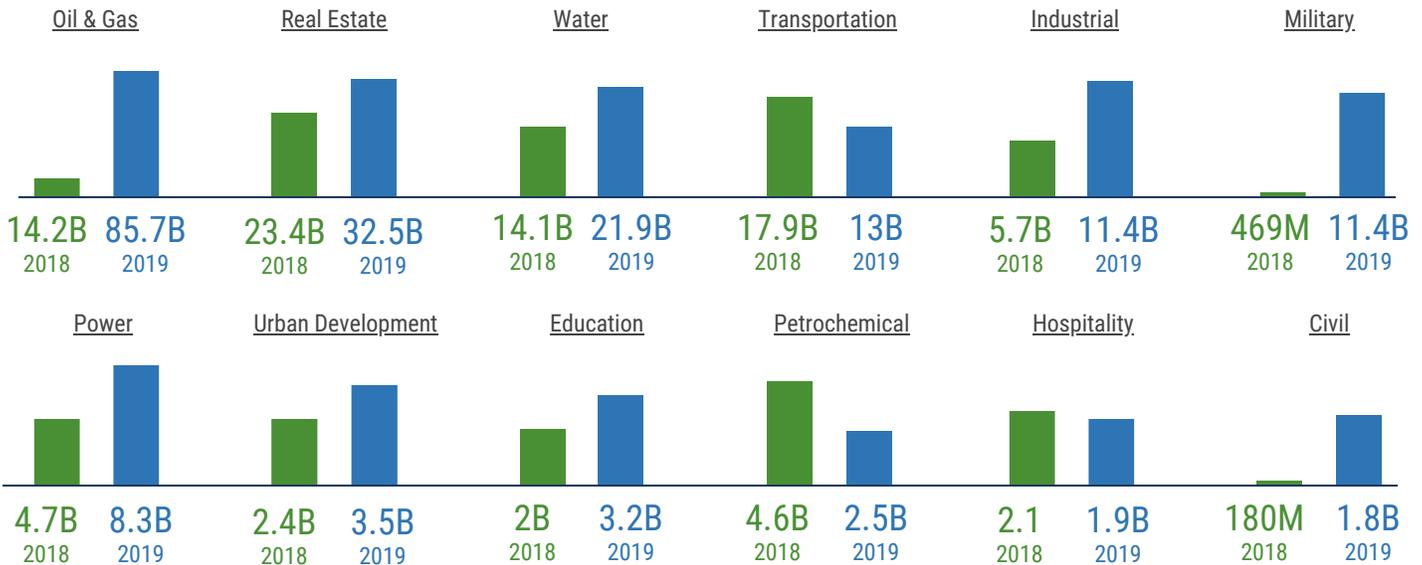
Value of Awarded Contracts (SAR)



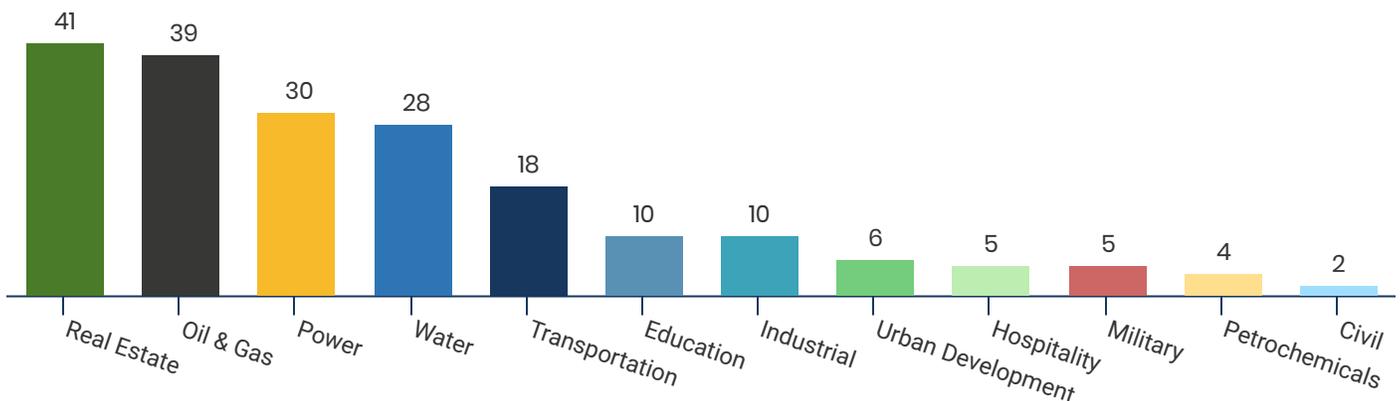
Value of Awarded Contracts by Region (SAR)



Value of Awarded Contracts by Sector (SAR)



Number of Awarded Contracts by Sector

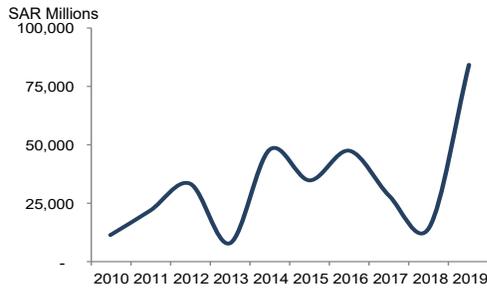




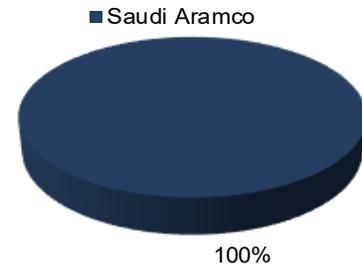
Oil & Gas

The value of awarded contracts in the oil & gas sector grew to its highest level on record, totaling approximately SAR84.2 billion (\$22.5 billion). Saudi Aramco was the lone awardee of contracts as the Eastern Province was the recipient of 91 percent of all contracts. The bulk of the contracts focused on the development of the Kingdom's offshore and gas plants in the Eastern Province.

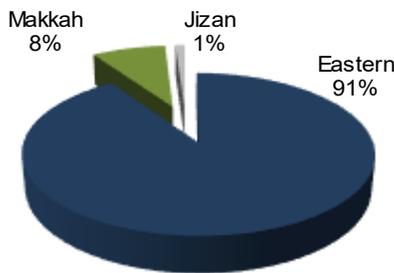
Value of Awarded Contracts in Oil & Gas



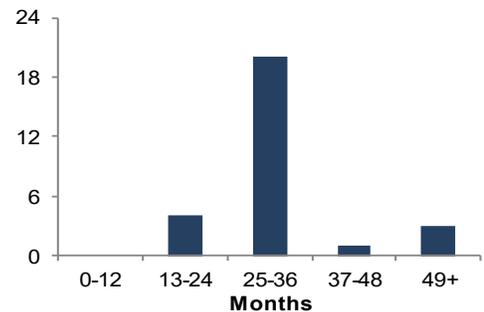
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Projects*



*Contracts with stated completion period

The oil & gas sector witnessed increased investments in 2019 as Saudi Aramco awarded numerous mega-projects. Foreign contractors were the main awardees of these contracts as American, Korean and European companies, among others, were selected to develop and expand the Kingdom's oil refineries, offshore piping, and associated/non-associated gas fields. The largest projects revolved around the development of the Berri and Marjan offshore fields as well as the Khursaniyah and Zuluf gas fields.

Top Five Contracts by Value During 2019:

Contractor	Client	Notes	Region	Value (SAR Millions)
McDermott/China National Offshore Oil Corporation	Saudi Aramco	Construction of an offshore gas-oil separation platform complex (Package 1) in the Marjan oil field	Eastern	11,250
Saipem	Saudi Aramco	Expansion of the gas-oil separation plant of the Berri oilfield	Eastern	11,250
Samsung Engineering	Saudi Aramco	Construct an underground sales gas storage facility with a storage capacity of 1,500 million standard cubic feet per day.	Makkah	6,938
Tecnicas Reunidas	Saudi Aramco	Construction of a gas plant with a capacity of 2,790 mmscf and 85 mbcd of condensate in Tanajib. (Package 9)	Eastern	5,627
McDermott	Saudi Aramco	Construction of the offshore gas facility in Tanajib. (Package 4)	Eastern	5,625

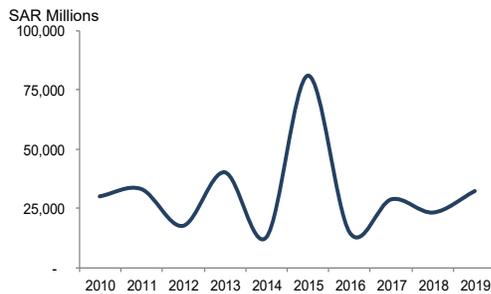
Source: Various Sources, USSBC



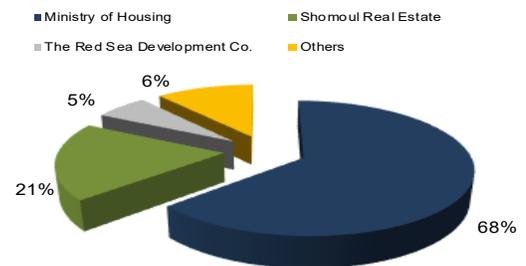
Real Estate

The value of awarded contracts in the real estate sector grew to approximately SAR32.5 billion (\$8.7 billion). The Ministry of Housing awarded the majority of contracts with 68 percent. Shomoul Holding's mixed-use project was the largest contract in the real estate sector. A majority of the contracts were in the Makkah and Riyadh regions.

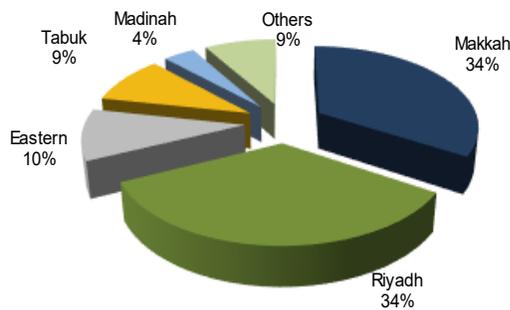
Value of Awarded Contracts in Real Estate



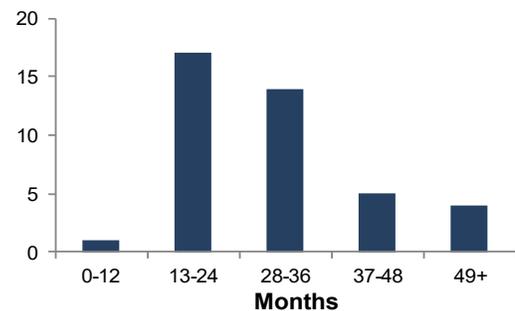
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Projects*



*Contracts with stated completion period

The real estate sector rebounded in 2019 after relatively lower construction projects over the last three years. Residential real estate accounted for 94 percent of all real estate contracts as the Ministry of Housing continues to develop affordable housing as the Kingdom aims to raise homeownership rates. A majority of the contractors were domestic while Asian and American builders were also significant participants.

Top Five Contracts by Value During 2019:

Contractor	Client	Notes	Region	Value (SAR Millions)
Nesma & Partners	Shomoul Holding	Development of "The Avenues Riyadh"	Riyadh	6,189
Laseej Alfajr	Ministry of Housing	Construction of 21,301 residential units and associated facilities	Makkah	4,500
Al Jazera Contracting	Ministry of Housing	Construction of Madinat Al Wurud in Taif	Makkah	2,850
China State Construction & Engineering Corp.	Ministry of Housing	Construction of Murcia Complex in North Riyadh	Riyadh	2,498
Ansab	Ministry of Housing	Construction 5,590 units and associated facilities	Riyadh	2,400

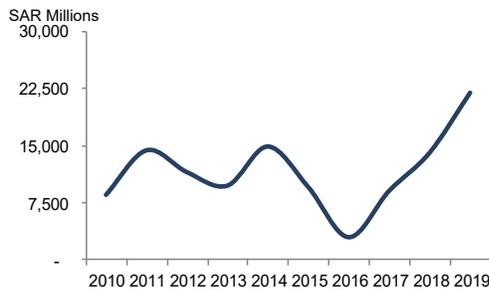
Source: Various Sources, USSBC



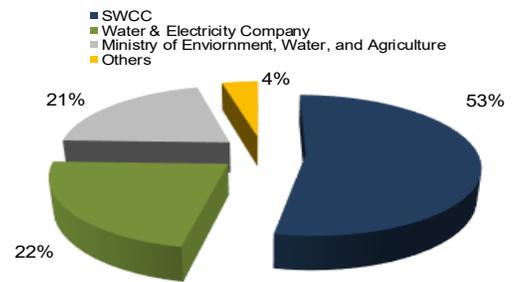
Water

The value of awarded contracts in the real estate sector grew to approximately SAR21.9 billion (\$5.8 billion). The Saline Water Conversion Corporation (SWCC) awarded the highest amount of contracts by value, accounting for 53 percent of awards. The Eastern Province garnered 45 percent of total contract awards.

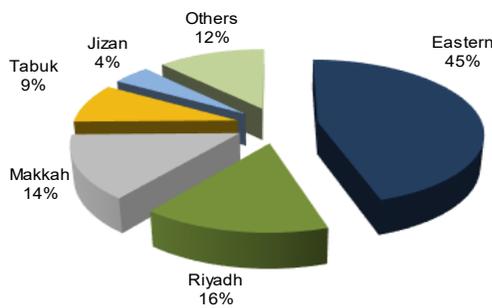
Value of Awarded Contracts in Water



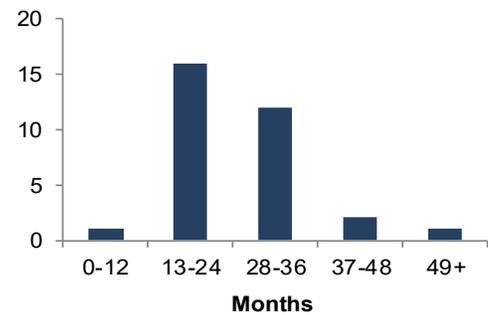
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Projects*



*Contracts with stated completion period

The water sector rose to its highest level on record in 2019 as the construction and further development of desalination plants across multiple phases in Al Khobar and Rabigh attracted the largest investments. Other projects included building a new independent sewage treatment plant in Dammam and extending piping to increase water transmission throughout the Kingdom. Several large projects were awarded to consortiums consisting of local and international contractors.

Top Five Contracts by Value During 2019:

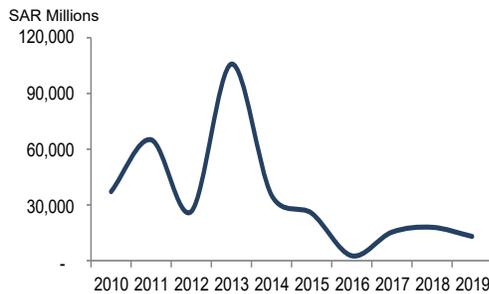
Contractor	Client	Notes	Region	Value (SAR Millions)
Al Rashid Trading & Contracting/ACCIONA Group	SWCC	Phase 2 of Al Khobar SWRO Desalination plant	Eastern	2,250
SEPCOIII	SWCC	Phase 2 of sewerage reverse osmosis desalination plant in Jubail	Eastern	1,875
SIDEM/Abengoa/SEPCO	Water & Electricity Company	Increase production of Rabigh desalination plant to 600,000 m ³	Makkah	1,800
Al Rashid Trading & Contracting	SWCC	Construct 128km water transmission system from Jubail to rest of Eastern Province	Eastern	1,298
Marafiq/Veolia/Amwal Alkhaleej	Water & Electricity Company	Independent sewage treatment plant (ISTP) Phase 2 in Jeddah	Makkah	1,200

Source: Various Sources, USSBC

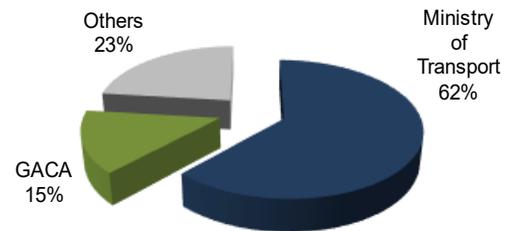
Transportation

While transportation was the fourth highest sector by value, it decreased in total value terms compared to 2018. Furthermore, it remains far removed from the high spending years of 2009-2014 but still had notable investments across several transportation subsectors like roads and aviation. The Ministry of Transport represented 62 percent of contracts while projects were spread evenly across the Kingdom.

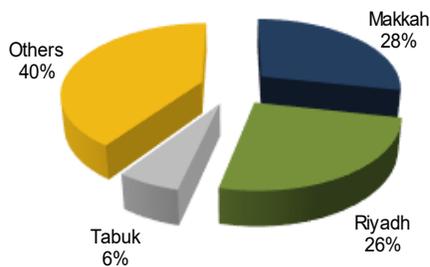
Value of Awarded Contracts in Transportation



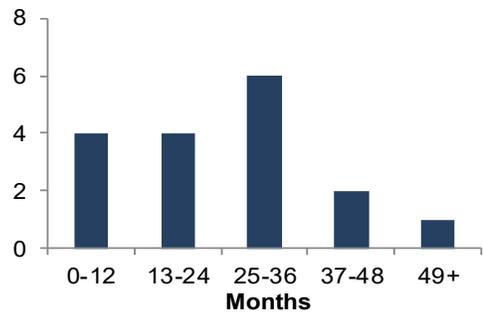
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Projects*



*Contracts with stated completion period

The transportation sector witnessed many contracts from the Ministry of Transport for the construction and expansion of road networks throughout the Kingdom. The General Authority for Civil Aviation (GACA) was also active, as it awarded the construction of Al Qunfudah and Al Jouf airports. The transportation sector featured many local contractors that dominated contract awards.

Top Five Contracts by Value During 2019:

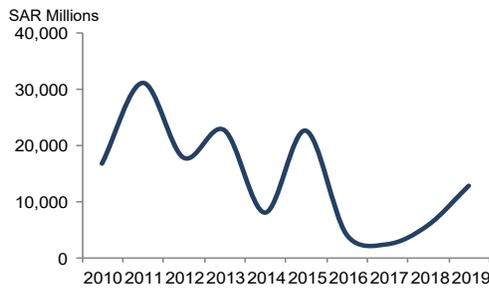
Contractor	Client	Notes	Region	Value (SAR Millions)
	Ministry of Transport	Awarded 88 contracts to local contractors across the Kingdom to expand road networks	Kingdom	5,100
Al-Ayuni Investment and Contracting	Ministry of Transport	Construction of phase 1 of Riyadh second ring road.	Riyadh	2,625
	Jeddah Municipality	Construction of new road at intersection of Madinah rd with Prince Mohammad Bin Abdulaziz rd	Makkah	900
Nesma & Partners	GACA	Construction of Al Qunfudah Airport	Makkah	840
Saudi Real Estate Infrastructure Company	The Red Sea Development Co.	Develop coastal and inland roads including highways and airport access	Tabuk	490

Source: Various Sources, USSBC

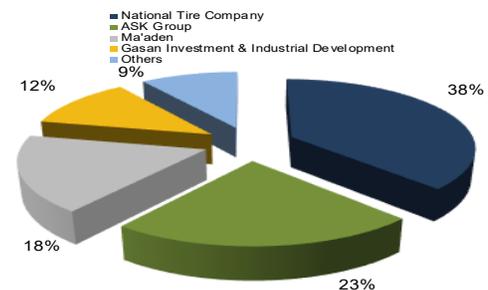
Industrial

The Industrial sector witnessed a resurgence in awarded contracts as it totaled SAR12.8 billion (\$3.4 billion), its highest level since 2015. The project owners were more diversified in the industrial sector. The National Tire Company awarded the largest contract in 2019. However, 79 percent of all projects were awarded in the Eastern Province.

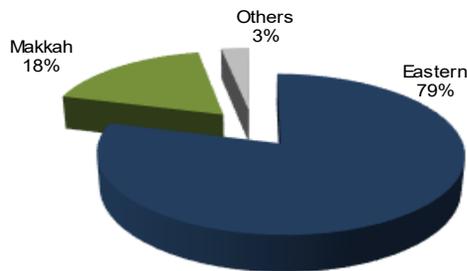
Value of Awarded Contracts in Industrial



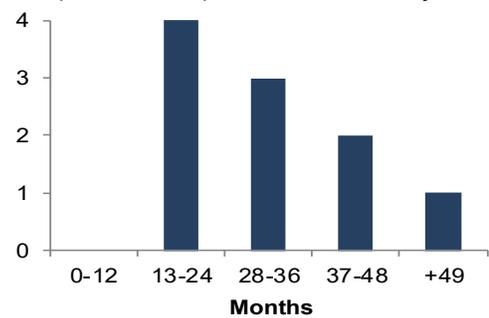
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Projects*



*Contracts with stated completion period

The rebound in the industrial sector was driven by mega-projects such as the newly created National Tire Company as well as the Kingdom's mining leader, Ma'aden. The majority of the contracts were awarded to international contractors, of which Asians had a majority. Local contractors were also actively involved in development activities.

Top Five Contracts by Value During 2019:

Contractor	Client	Notes	Region	Value (SAR Millions)
Samsung Engineering	National Tire Company	Construction of a tire manufacturing facility in Jubail	Eastern	4,801
China Gezhouba Group	ASK Group	Construction of civil explosive production plant	Eastern	2,925
Larson & Toubro/Outotec	Ma'aden	Development of the Mansourah-Massarrah gold mine	Makkah	2,273
Chalieco	Gasan Investment & Industrial Development	Develop calcined petroleum coke plant in Jubail	Eastern	1,500
China National Building Materials	Azmeel Contracting	Construction of ultra-white float glass production line in Jubail	Eastern	750



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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