

# NCB Construction Contracts Index Third Quarter 2013

NCB Quarterly Review of Contract Awards in the Construction Sector

## HEADLINES

1. *NCB Construction Contracts Index reached an extraordinary 494.09 points by the end of the third quarter of 2013, while the total value of awarded contracts reached SAR148.9 billion. The value of awarded contracts through the first three quarters of 2013 reached an impressive SAR251.6 billion.*
2. *July's contract awards were valued at approximately SAR105.6 billion, led by transportation and petrochemical sectors.*
3. *August's value of contract awards slipped to approximately SAR28.8 billion, led by the power and residential real estate sectors.*
4. *September's value of contract awards further dropped to approximately SAR14.5 billion, led by the roads and transportation sectors.*

## NCB Construction Contracts Index



Source: Various sources, NCB

## Value of Contracts

Trailing Twelve Months (2012-2013)	Oct (2012)	Nov	Dec	Jan (2013)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Contract Awards Value (SAR Millions)	44,499	14,051	10,591	21,639	20,256	7,171	23,045	9,821	20,778	105,606	28,813	14,499
CCI Value	350.71	317.25	264.26	279.99	298.16	288.33	236.00	225.68	250.53	455.34	476.21	494.09

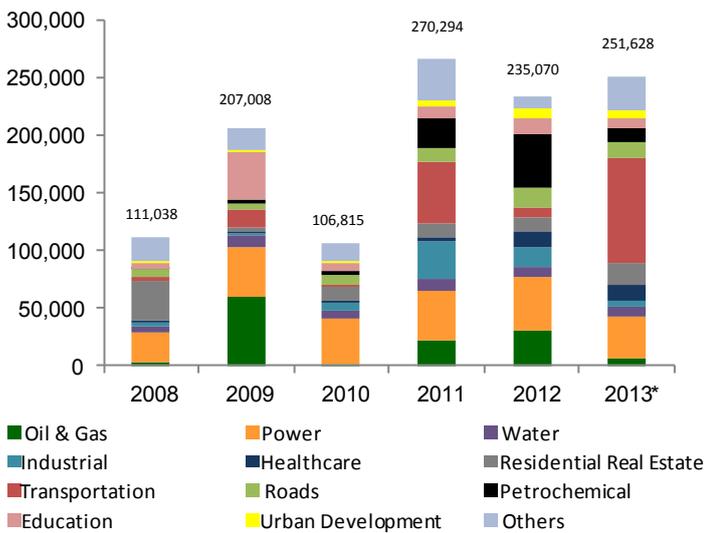
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## Construction Contracts Award Index During Q3 2013\*

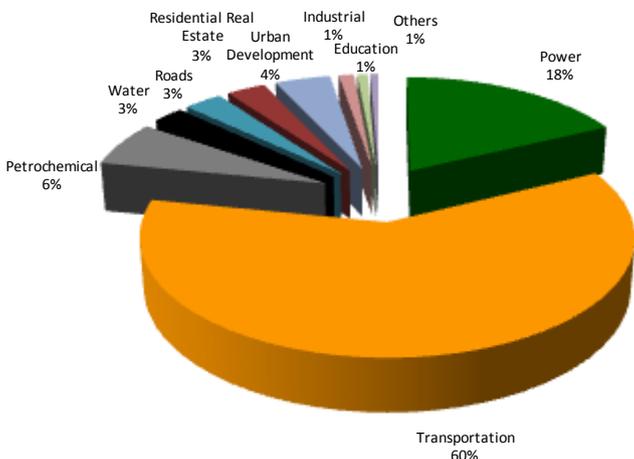
The construction sector received a significant boost of confidence as nearly SAR148.9 billion worth of contracts were awarded during the third quarter of 2013. Approximately SAR105.6 billion worth of contracts were awarded in July alone, signifying the highest recorded value of awards for a single month. This unprecedented achievement was promoted by heavy investments in anchor sectors such as transportation, power and petrochemicals. The transportation sector accounted for SAR89.5 billion of the overall value of awarded contracts, followed by the power sector and petrochemicals with SAR26.6 billion and SAR9.6 billion, respectively. The urban development sector accounted for SAR6.5 billion followed by the residential real estate sector with SAR4.6 billion, (Chart 1, Chart 2).

Chart 1: Value of Awarded Contracts by Year (SAR millions)



\* Through Q3'13  
Source: Various sources, NCB

Chart 2: Value of Awarded Contracts by Sector During Q3'13



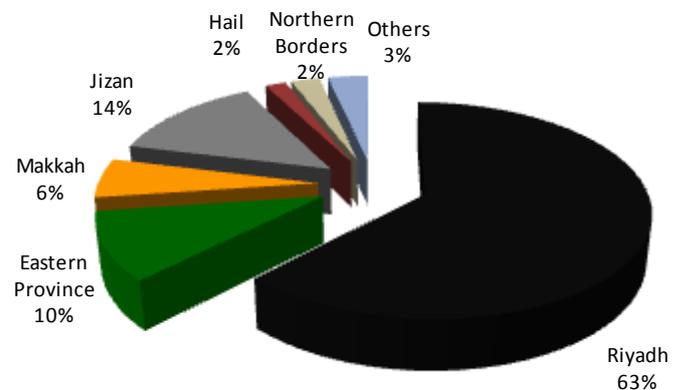
Source: Various sources, NCB

The surge in contracts during Q3'13 provided the construction sector with fresh momentum as approximately SAR251.6 billion worth of contracts were awarded. At this current pace, the total value of awarded contracts is anticipated to surpass 2011's the all-time high of SAR270.3 billion. The value of awarded contracts through Q3'13 represents an overwhelming 52% increase compared to Q3'12, which registered a sizeable SAR165.9 billion. The burgeoning strength of the construction sector illustrates the government's role as a catalyst for advancing the Kingdom's strategy to boost the supply of services demanded by its citizens. However, effective participation from the private sector is needed to shoulder some of the load away from the government.

On the back of solid results through Q3'13 the Construction Contracts Index (CCI) reached an all-time high by ending the quarter at 494.09 points. The strong push in July spurred the index to climax as the CCI catapulted to 455.34, registering a record 82% jump over June. The CCI was further sustained in August as it ended the month with 476.21 points. All three months of Q3'13 represented the highest the CCI has ever reached as the previous high was 453.64 points, which occurred in December of 2011.

From a geographical perspective, the Riyadh region controlled the largest portion of awarded contracts by value, capturing a 63% share. This was overwhelmingly due to sizeable contracts that were awarded by Arriyadh Development Authority for the development of the Riyadh light rail transit lines. Several mega-projects were awarded in Jizan region, which captured a 14% share. The power, petrochemicals and transportation sectors were the largest contributors. The petrochemical, residential real estate and power sectors contributed to the Eastern Province's 10% share of awarded contracts, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q3'13



Source: Various sources, NCB

### July

The value of awarded contracts reached SAR105.6 billion in July as it recorded the highest value of any month since the CCI's inception. The transportation and petrochemicals

sectors led the surge in awarded contracts. The transportation sector alone accounted for SAR87 billion as a result of three mega-projects being awarded for the development of the Riyadh light rail (Riyadh Metro). The project is anticipated to serve 1,500 passengers per hour per track with capacity eventually increasing to 8,000 passengers per hour. Arriyadh Development Authority awarded the three contracts to three separate consortiums. The first contract was awarded to Bechtel/ Siemens/ Mabani JV in the amount of SAR35.4 billion. The contract calls for the development of lines 1 and 2, which encompasses 44km of light rail and 39 stations for phase one and 22km of light rail and 13 stations for phase two. Lines 1 & 2 are expected to be completed by the third quarter of 2018.

The second contract was awarded to the Ansaldo STS/ Impregilo/ L&T/ Nesma & Partners/ Bombardier JV for the construction of the third line in the amount of SAR22.3 billion. The third phase includes the construction of 45km of light rail and 32 stations. The project is expected to be completed by the third quarter of 2018.

The final contract was awarded to the FCC/ Freyssinet/ Alstom/ Samsung/ Strukton/ Setec/ Tyspa JV in the amount of SAR29.3 billion. The contract involves three phases of development. Phase four pertains to the construction of 32km of light rail and 13 stations, phase five with 26km of light rail and 35 stations and phase six with 12km and 9 stations. The project is expected to be completed by third quarter of 2018.

Within the petrochemical sector, four contracts worth approximately SAR5.9 billion were awarded. The largest contract was awarded by the Maaden/ Mosaic/ Sabic JV to Daelim in the amount of SAR3.1 billion. The contract call for Daelim to build an ammonia plant as part of the first package of the Waad Al Shamal Mining City in the Northern Borders. Ammonia will be the first of numerous processing plants as part of the integration of the fertilizer project. The project is expected to be completed by the fourth quarter of 2014.

A second contract within the petrochemicals sector was awarded by the National Methanol Company (SABIC/ Duke Energy/ Celanese JV) to the Dragados Gulf Construction Company/ Intecsa Ingenieria Industrial S.A. JV in the amount of SAR1.5 billion. A polyacetal plant with a capacity of 50,000 tons per year will be constructed along with associated facilities at Jubail Industrial City. The project is expected to be completed by the first quarter of 2016.

Several contracts were awarded in the power sector worth SAR4.7 billion by the Saudi Electricity Company (SEC) to local contractors for the continued development and installation of transformer stations in various parts of the Kingdom.

The urban development sector witnessed approximately SAR4.1 billion worth of contracts. The most notable contract was awarded by the Makkah Governance in the amount of SAR1.8 billion. The scope of the contract includes development of flood defense project in East Jeddah.

The water sector had SAR1.5 billion worth of contracts awarded during July. A SAR1.2 billion contract was awarded by Marafiq to Veolia for construction of a water desalination plant to supply the Sadara petrochemical complex in Jubail Industrial City. The plant will have a capacity of 178,000 cubic meters a day and will be the largest reverse osmosis desalination plant in the Kingdom. The plant is expected to be completed by the second quarter of 2015.

### August

Approximately SAR28.8 billion worth of contracts were awarded in August as the power and residential real estate sectors accounted for the largest portion of the awards. The power sector had SAR19.6 billion in contract awards. A significant contract was awarded by SEC to Hyundai Heavy Industries in the amount of SAR12.4 billion. Hyundai will be responsible for developing the 2,640 MW oil fired Shuqaiq steam power plant in Jizan where steam turbines, a substation (380 kV) and a heat recovery steam generator (HRSG) will be built. The project is expected to be completed by the fourth quarter of 2017.

Second notable contract within the power sector was awarded by Saudi Aramco to Siemens for the construction of the integrated gasification combined cycle power plant for the new IGCC power plant at Jizan refinery. The SAR3.6 billion project includes the construction of 10 gas turbines, 5 steam turbines, 15 generators and 10 HRSGs. The project is expected to be completed by the fourth quarter of 2016.

The Ministry of Housing awarded SAR4 billion worth of contracts as part of its strategy to provide affordable housing to the Kingdom's citizens. The contracts focused on the infrastructure component of housing development across the Kingdom. The largest contract was awarded to Al Yamama Group in the amount of SAR1.1 billion for the development of streets, utility works and transport infrastructure on 6.5 million square meters in the Eastern Province city of Dammam. The contract is expected to be completed by the third quarter of 2015.

Within the petrochemicals sector a SAR1.1 billion contract was awarded by the Jubail United Petrochemical Company to Linde for the construction of a carbon dioxide(CO<sub>2</sub>) purification and liquefaction plant. The plant will be designed to compress and purify about 1,500 tons per day of raw carbon dioxide coming from ethylene glycol plants. The project is expected to be completed by the fourth quarter of 2015.

The water sector witnessed approximately SAR1.1 billion worth of contracts as the majority of the contracts were awarded by the Saudi Industrial Property Authority (MODON). The largest contract was awarded by MODON to Abdullah Ahmad Al Dosary Holding Company in the amount of SAR551 million for the development of the second phase of the third industrial city in Dammam. Work to be done includes drinking water networks, industrial & agriculture water networks, sewage networks and flood drainage. The project is expected to be completed by the third quarter of

2015.

### September

The value of awarded contracts slipped to SAR14.5 billion as the roads and transportation sectors accounted for the largest share. Approximately SAR3.3 billion worth of contracts were awarded in the roads sector. The Ministry of Transport awarded numerous contracts across the Kingdom aimed at improving and expanding highways, secondary roads, bridges and main intersections. Local contractors were the main recipients of the awards.

The transportation sector had three awarded contracts worth approximately SAR2.3 billion. The most notable contract was awarded by Saudi Aramco to China Harbor Engineering Arabia in the amount of SAR1.5 billion. The scope of the project includes the dredging and reclamation works at the Jizan Economic City. In addition to the dredging, a 12 km break-water will be incorporated. The reclamation will provide the land for the construction of Aramco's marine terminal.

Another contract in the transportation sector was awarded by the Saudi Railway Company (SAR) to the Al Omaier Trading & Contracting/ Terna JV in the amount of SAR836 million. SAR is planning to expand its railway infrastructure by constructing the railway link from Ras Al Khair to Jubail and from Jubail to Dammam. The project covers the construction of a railway line of approximately 125 km from Jubail to Dammam. The project is expected to be completed by the third quarter of 2016.

Within the petrochemicals sector, a contract was awarded by JGC to Daewoo Engineering and Construction for the right to build a naphtha treatment plant along with its associated facilities in Jizan. The SAR2 billion project is expected to be completed by the second quarter of 2017.

The industrial sector witnessed a sizeable contract that was awarded by Al Omran Cement Company to Sinoma International Engineering Company in the amount of SAR1.1. Sinoma will construct a new cement plant in Taif that will produce 6,000 tons a day of grey cement and 1,500 tons a day of white cement. The project is expected to be completed by the third quarter of 2015.

### Outlook

The value of awarded contracts were heavily supported by anchor sectors during Q3'13, and this trend is expected to continue through Q4'13. Furthermore, supporting sectors such as roads, healthcare and education continue to provide a significant boost to the economy in the form of capital expenditures and employment opportunities. The pace of construction activities in 2013 will likely result in the highest value of awarded contracts this year, surpassing 2011's SAR270.3 billion.

### Selected Awarded Contracts During the Third Quarter of 2013:

Sector	Contractor	Client	Details	Value (SAR millions)
Transportation	Bechtel/ Siemens/ Mabani JV	Arriyadh Development Authority	Riyadh light rail transit lines 1 & 2	35,438
	Ansaldo STS / Impregilo / L&T / Nesma & Partners / Bombardier JV	Arriyadh Development Authority	Riyadh light rail transit lines 3	22,282
	FCC / Freyssinet / Alstom / Samsung / Strukton / Setec / Typsa JV	Arriyadh Development Authority	Riyadh light rail transit lines 4, 5 & 6	29,325
	China Harbour Engineering Arabia	Saudi Aramco	Dredging and reclamation works	1,500
Power	Hyundai Heavy Industries (HHI)	SEC	Shuqaiq steam power plant	12,375
	Siemens	Saudi Aramco	Construction of the combined cycle power plant	3,626
Petrochemicals	Daelim	Maadon / Mosaic / Sabic JV	Waad Al Shamal Mining City	3,094
	Daewoo	JGC	Build naphtha treatment	1,956
	Dragados/ Intecs JV	National Methanol Company	Jubail Industrial City Polyacetal Factory	1,451
	Linde	Jubail United Petrochemical Company	Carbon dioxide purification and liquefaction plant	1,125
Residential Real Estate	Al Yamama Group	Ministry of Housing	Infrastructure Package in Dammam	1,084
Industrial	Sinoma International Engineering Co	Al Omran Cement Company	Construction of cement plant in Taif	1,125
Water	Veolia Water	Marafiq	Build a water desalination plant	1,163

Source: Various sources, NCB

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## Appendix

### NCB Construction Index Methodology

The purpose of the NCB Construction Index is to inform our readers of the scale of awarded construction projects in the Kingdom. The index tracks construction contracts that have been awarded only. It may take approximately six to eighteen months for awarded contracts to begin implementation and the length of the construction period averages around three years but is largely dependent on the size and scope of the project. Consequently, the index serves as an indicator for construction activities that will be implemented in the future.

Data from various available publications and reports are used to identify awarded construction contracts. Awarded contracts that do not state the value of the contract are excluded from the index. Additionally, construction contracts that meet the United Nations construction classifications are included in the analysis.

The NCB Construction Index begins with January 2008 as its base year. The base year is assigned an index score of 100 points and the index is also measured on a six-month moving average. Therefore, outliers are designed to have a reduced effect on the calculation of the index. In general, an index score that is higher than the base year of 100 reflects the expansion of awarded construction contracts while any value below the base year reflects a contraction.



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