

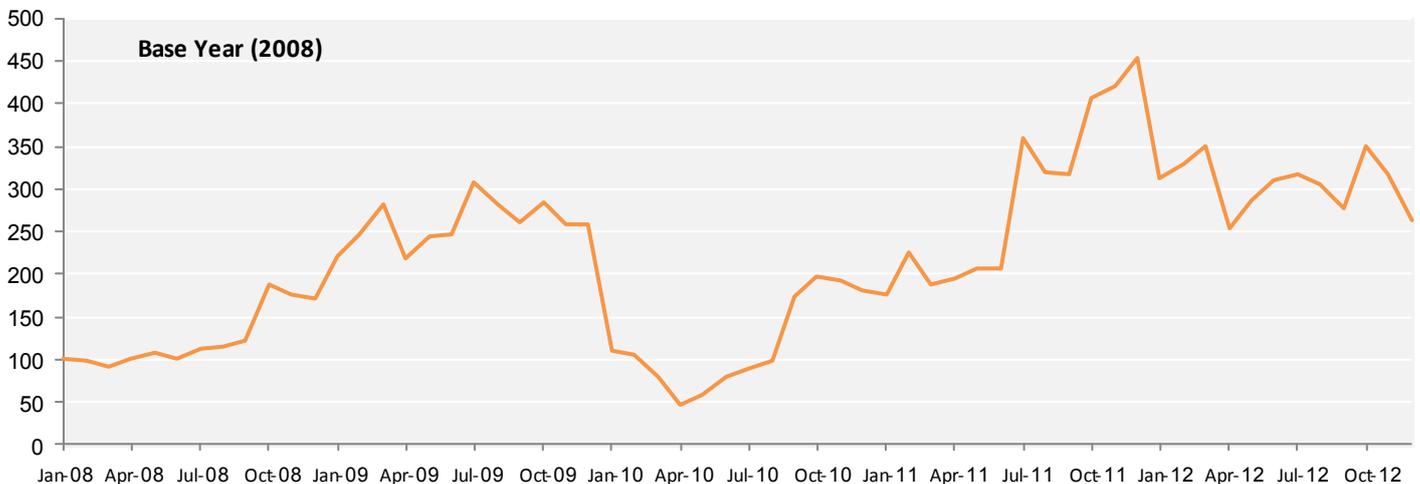
# NCB Construction Contracts Index Fourth Quarter 2012

NCB Quarterly Review of Contract Awards in the Construction Sector

## HEADLINES

1. *NCB Construction Contracts Index reached 264.26 points by the end of the fourth quarter of 2012, while the value of awarded contracts reached an impressive SAR69.1 billion. The total value of awarded contracts during 2012 surged to SAR235.1 billion, albeit a 13% decline compared to 2011.*
2. *October's contract awards were valued at approximately SAR44.5 billion, led by the oil & gas and power sectors.*
3. *November's value of contract awards dropped to approximately SAR14.1 billion, led by the water and oil & gas sectors.*
4. *December's value of contract awards further slipped to approximately SAR10.6 billion, led by the power and commercial real estate sectors.*

## NCB Construction Contracts Index



Source: NCB, various sources

## Value of Contracts

Trailing Twelve Months (2012)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Contract Awards Value (SAR Millions)	11,894	17,169	23,186	14,400	27,768	32,314	15,190	12,809	11,200	44,499	14,051	10,591
CCI Value	312.45	329.07	349.03	254.18	285.53	309.12	317.16	306.52	277.29	350.71	317.25	264.26

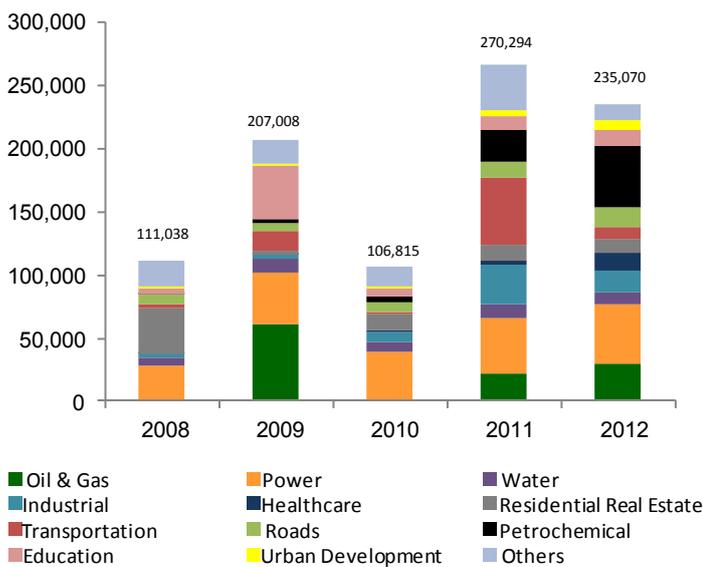
Said A. Al Shaikh  
Group Chief Economist | s.alshaikh@alahli.com

Albara'a Alwazir  
Senior Economist | a.alwazir@alahli.com

## Construction Contracts Award Index During Q4 2012\*

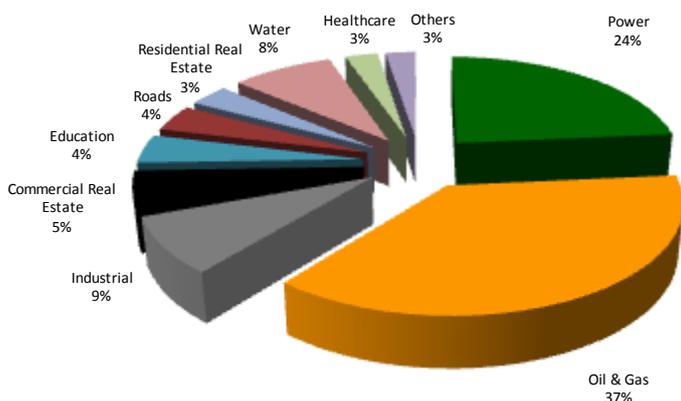
The value of awarded contracts rebounded strongly in the fourth quarter following a relatively weak third quarter of 2012 to reach SAR69.1 billion. The strong push during the fourth quarter allowed 2012 to end on a high note whereby approximately SAR235.1 billion worth of contracts were awarded. Although the value of awarded contracts dipped compared to 2011's SAR270 billion, several sectors witnessed unprecedented capital spending compared to previous years such as the power (SAR47b), petrochemicals (SAR47b), healthcare (SAR14b) and roads (SAR17b). In the fourth quarter alone, the contracts awarded in oil & gas sector amounted to approximately SAR26 billion, while the power sector accounted for another SAR16 billion. The industrial sector contributed SAR6 billion during the fourth quarter, while the commercial real estate and education sectors had SAR3.5 billion and SAR3 billion worth of contracts awarded, respectively (Chart 1), (Chart 2).

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



Source: NCB, various sources

Chart 2: Value of Awarded Contracts by Sector During Q4'12



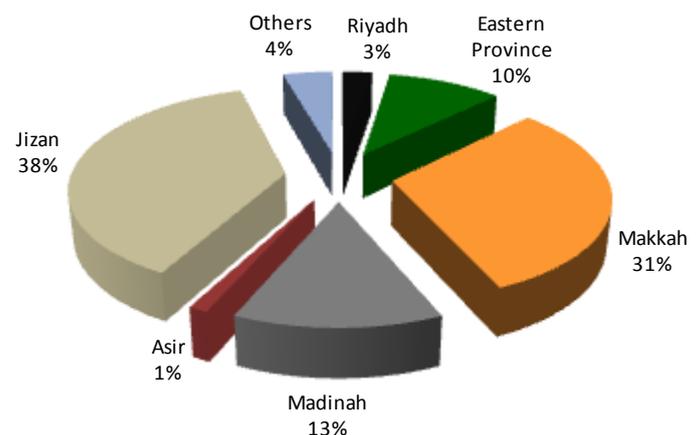
Source: NCB, various sources

The SAR235.1 billion in contracts awards during 2012 reflected the construction industry's continued vibrancy and its foundation as a fundamental building block of the Kingdom's economy. The total value of awarded contracts during H2'12 reached SAR108.3 billion versus H1'12, which accumulated to SAR126.7 billion. While anchor sectors garnered the majority of the value of awarded contracts, the government's focus on capital expenditures towards building the Kingdom's infrastructure in 2012 was evident as nearly SAR52 billion was spent on the roads, education, healthcare and urban development sectors. Furthermore, according to the Ministry of Finance's end of year press release, approximately 2,000 government projects worth SAR137 billion were signed.

The Construction Contracts Index (CCI) ended the year at 264.26 points. The CCI reached its highest level of 2012 during October as it climbed to 350.71 points. This was mainly attributed to the significant value of awarded contracts during the same month, which was SAR44.5 billion. The CCI dropped to 317.25 points in November. While the CCI ended the year 42% lower compared to 2011's CCI of 453.64 points, the value of awarded contracts in 2012 achieved the second highest total since 2008.

During Q4'12 the Jizan region accounted for a 38% share of awarded contracts as numerous mega-projects were awarded by Saudi Aramco for the development of the Jizan Refinery project. The Makkah region's share was 31% and was mainly attributed to the mega-project awarded by the Saudi Electricity Company (SEC) associated with building the Jeddah South thermal power plant. The Madinah region's 13% share consisted of mega-projects in the water and industrial sectors. The Eastern Province, which normally attracts the highest value of awarded contracts due to the heavy presence of power, petrochemical and oil & gas projects slotted into the fourth position with a 10% share. There were numerous projects across several sectors that contributed to the Eastern Province's share. The Riyadh region, which also generally attracts a significant amount of large contracts, contributed only 3% of the awarded contracts by value, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q4'12



Source: NCB, various sources

### October

The highest value of awarded contracts during 2012 was amassed in October as mega-projects lifted the value to approximately SAR44.5 billion. The oil & gas sector had nearly SAR22 billion in awarded contracts as a result of the Jizan Refinery project. Saudi Aramco awarded 10 contracts for this project, of which 9 were awarded in October. Petrofac Limited was awarded two contracts, package four and five, totaling SAR5.3 billion. Package four included the construction of 72 north tanks and loading arms. The value of that contract was SAR3.8 billion and is expected to be completed by the fourth quarter of 2016. Package five consisted of constructing 7 south tanks at the site. The contract was awarded at a value of SAR1.5 billion and is expected to be completed by the fourth quarter of 2016.

Tecnicas Reunidas was the recipient of two contracts awards by Saudi Aramco for the Jizan Refinery valued at SAR3.8 billion. The first contract, package 10, involves the construction of a hydrocracker unit at a value of SAR1.9 billion. The project is expected to be completed by the first quarter of 2016. The second contract, package 11, involves the construction of a diesel hydro-treater unit in the amount of SAR1.9 billion. The project is also expected to be completed by the first quarter of 2016. Saudi Aramco awarded package 8 to Hitachi Plant Technologies, which involves the development and preparation of utilities at the site. The SAR1.9 billion contract award is expected to be completed by the fourth quarter of 2016. Package 9 was awarded to SK Engineering and Construction for the construction of a crude distillation unit/vacuum distillation unit and flare and pipe rack. The SAR3.8 billion project is expected to be completed by the fourth quarter of 2016.

Saudi Aramco awarded package 12 to JGC Corporation in the amount of SAR3.8 billion. The scope of work includes building a naptha and aromatics complex. The project is expected to be completed by the fourth quarter of 2016. Hanwha was awarded package 14 in the amount of SAR2.3 billion. Hanwha will build a marine facility at the refinery and is expected to complete the project by the fourth quarter of 2016. Finally, the sour water stripper and amine regeneration project was awarded to Hyundai Heavy Industries. The SAR1.3 billion contract is expected to be completed by the fourth quarter of 2016.

The power sector had the second highest value of awarded contracts in October, worth approximately SAR12.7 billion. The majority of that amount was awarded in a single contract by SEC to Hyundai Heavy Industries in the amount of SAR12 billion. The project includes the development of steam turbines, heat recovery steam generator and other associated utilities for the Jeddah South Power Plant. The 2,640MW oil-fired plant will be built by Hyundai on a turnkey basis while Mitsubishi Heavy Industries will supply the equipment. The project is expected to be completed by the first quarter of 2017.

Within the industrial sector, a significant contract was awarded by Saudi Aramco Lubricating Oil Refining Company

(Luberef) to Samsung Engineering in the amount of SAR3.3 billion. The scope of work at the Yanbu refinery expansion site will involve the construction of a 23,000 barrel-a-day lube hydrocracker and catalytic ISO-dewaxing complex, which will include hydrogen manufacturing, sour gas absorption sulfur recovery and prilling units.

### November

November's SAR14 billion in awarded contracts was largely driven by heavy spending in the water and oil & gas sectors. A total of SAR3.9 billion was awarded in the water sector, of which SAR3.7 billion accounted for a single contract. A JV between Saline Water Conversion Corporation (SWCC) and Marafiq awarded the contract to Doosan Heavy Industries & Construction for the construction of a desalination plant in Yanbu as part of phase three. The project is expected to be completed by the first quarter of 2016.

Within the oil & gas sector, another contract was awarded by Saudi Aramco pertaining to the Jizan Refinery Project. Abdulaali Al Ajmi Company was awarded package 6, which includes the site preparation in the amount of SAR3.7 billion. The project is expected to be completed by the fourth quarter of 2016.

The industrial sector had several awarded contracts that totaled SAR2.5 billion. The largest contract was awarded by Jubail Chemicals Storage and Services Company (JCSSC) to China National Chemical Engineering Company (CNCEC) in the amount of SAR1.5 billion. CNCEC will build a new storage, handling and shipping terminal at the King Fahad Industrial Port in the Eastern Province. The terminal is expected to be completed by early 2015.

The petrochemicals sector had a contract that was awarded by Sadara Chemical Company to Chicago Bridge & Iron (CB&I) in the amount of SAR750 million. CB&I will build the port tank farm at the Jubail New Petrochemical Complex. The project is expected to be completed by the third quarter of 2015.

The Ministry of Higher education awarded approximately SAR1.5 billion worth of contracts to numerous local contractors. The majority of the work revolves around the construction of new colleges and campuses at existing universities.

### December

The value of awarded contract rebounded slightly from November's dip to reach approximately SAR10.6 billion. The power sector was the largest recipient of awarded contracts with a total of SAR3.6 billion. SEC was actively involved as it awarded all the power contracts during December. The majority of the contracts concentrated on building new substations and underground cable work across the Kingdom.

The commercial real estate sector witnessed a sizeable contract that was awarded by the Jabal Omar Development Company to a JV between Arabian Construction Company (ACC) and Drake & Scull. The SAR2.7 billion contract pertains to phase three of the Jabal Omar development in Mak-

kah. The ACC/ Drake & Scull JV will build four hotel towers, with each tower being 33 to 42-storeys high. The total built up area is expected to be 400,000 square meters.

A second contract was awarded in the commercial real estate sector. Al-Rajhi Bank awarded a contract to a JV between Samsung C&T and the local Contracting & Construction Enterprises (CCE) to build Al-Rajhi Bank's new headquarters in Riyadh. The awarded contract was valued at SAR638 million and will be 205 meters tall. The total built up area will be 121,445 square meters comprising 60,859 square meters for the tower, 40,984 square meters for the basement and 19,602 square meters for the podium.

Within the healthcare sector, the Ministry of Health awarded a SAR1.6 billion contract to Saudi Binladin Group for the King Faisal Specialist Hospital expansion project. The main component of the project involves the construction of two patient towers and a research and academic affairs center. Additionally, there will be the construction of a 25,000 square meter oncology center and a 25,000 square meter medical support facilities building.

A notable contract in the residential real estate sector was awarded by Blominvest to Maskan Arabia for the development and construction of the first three phases of an upcoming residential project in Riyadh. The SAR475 million contract involves the construction of 292 residential units.

### Outlook

The year 2012 provided the Saudi economy with a continued solid, sustainable outlook of the construction sector. The sheer volume of awarded contracts indicate that 2013 will extend the familiar trend of significant, ongoing construction projects in their execution phase, of which the majority that were awarded in 2012 have already been initiated. The government's projected expenditures for 2013 reveal that heavy capital spending will remain as status quo. Therefore, we project capital expenditures to reach SAR269.7 billion in 2013, reflecting a modest 2% increase over 2012's SAR264 billion.

The government's intent to continue to spend heavily in the education, health, municipality, transportation and water sectors will allow for further growth of these sectors in 2013 compared to 2012. These sectors witnessed a significant increase in expenditures in 2012 to reach SAR60 billion. Some of the anticipated capital expenditures for 2013 include the construction of 539 new schools, 19 new hospitals and the development of 3,700 km for new roads across the Kingdom. Furthermore, we anticipate anchor sectors like power, petrochemical, industrial and oil & gas to build upon their impressive performances during 2012.

### Selected Awarded Contracts During the Fourth Quarter of 2012:

Sector	Contractor	Owner	Details	Value SAR millions
Commercial Real Estate	ACC/ Drake & Scull	Jabal Omar Development Company	Phase 3 of the Jabal Omar Development	2,700
Water	Doosan	SWCC/ Marafiq	Yanbu desalination plant, phase 3	3,750
Oil & Gas	Petrofac	Saudi Aramco	Package 4 of Jizan Refinery project	3,750
	Petrofac	Saudi Aramco	Package 5 of Jizan Refinery project	1,500
	Tecnicas Reunidas	Saudi Aramco	Package 10 of Jizan Refinery project	1,875
	Tecnicas Reunidas	Saudi Aramco	Package 11 of Jizan Refinery project	1,875
	Hitachi	Saudi Aramco	Package 8 of Jizan Refinery project	1,875
	SK E&C	Saudi Aramco	Package 9 of Jizan Refinery project	3,750
	JGC Corp.	Saudi Aramco	Package 12 of Jizan Refinery project	3,750
	Hanwha	Saudi Aramco	Package 14 of Jizan Refinery project	2,250
	Hyundai	Saudi Aramco	Sour water stripper and amine regeneration at Jizan Refinery	1,312
	Abdulaali Alajmi Company	Saudi Aramco	Package 6 of Jizan Refinery project	3,750
Power	Hyundai	SEC	South Jeddah thermal plant	12,000
Industrial	Samsung Engineering	Luberef	Lube hydrocracker and catalytic ISO-Dewaxing complex	1,181

Source: Various sources, NCB

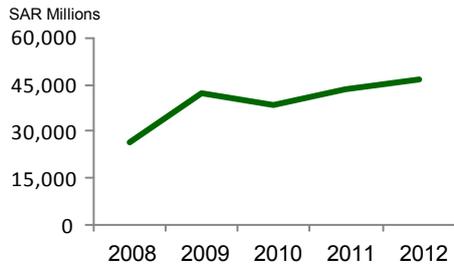
**A breakdown of the top five commercial sectors with the highest value of awarded contracts in 2012**

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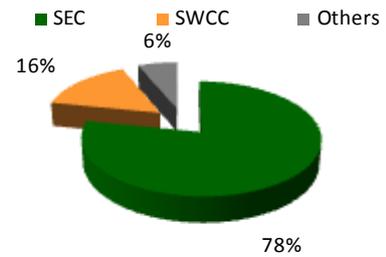
## Power

The value of awarded contracts in the power sector reached SAR47.1 billion in 2012. Saudi Electricity Company (SEC) awarded the majority of the value of these contracts, while Saline Water Conversion Corporation (SWCC) made a sizeable contribution.

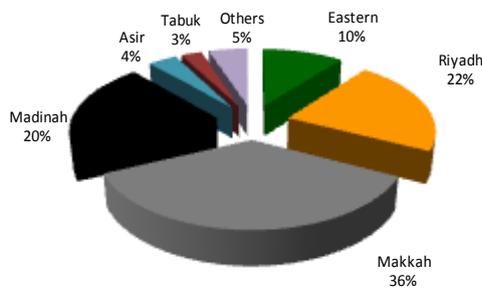
Value of Awarded Contracts in the Power Sector



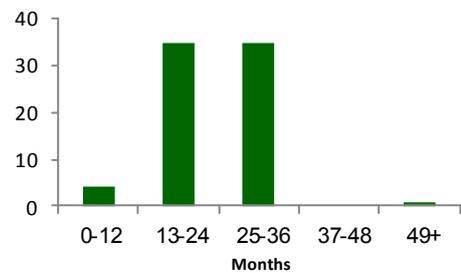
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts\*

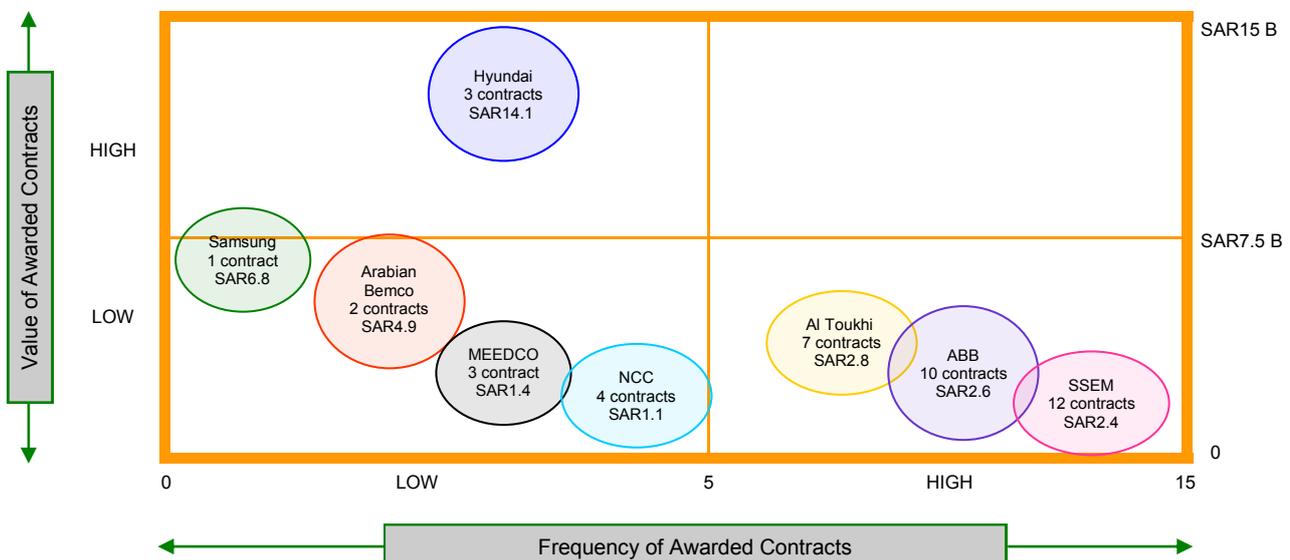


\*Contracts with stated completion period

## Market Dynamics Between Owners and Contractors

The power sector is dominated by the SEC. Although a number of contracts were awarded by other entities, SEC has traditionally been the sole owner of contract awards, as the majority owned government company is responsible for increasing the capacity, distribution and transmission of electricity throughout the Kingdom. SWCC awarded three contracts in the power sector aimed at providing the necessary infrastructure to provide power to its own projects.

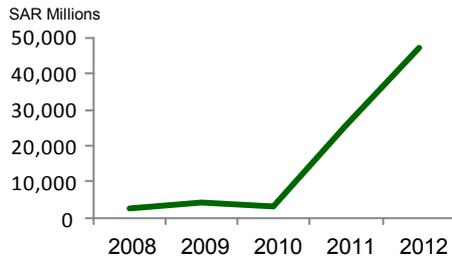
SECs Distribution of Awarded Contracts During 2012



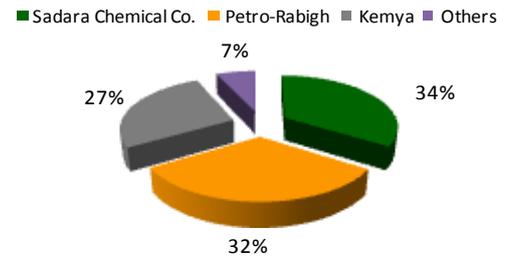
## Petrochemical

The value of awarded contracts in the petrochemical sector reached SAR47.2 billion in 2011. The majority of the contracts were awarded by Sadara Chemical Company, Petro-Rabigh and Kemya. Petrokemya awarded the remaining noteworthy contracts.

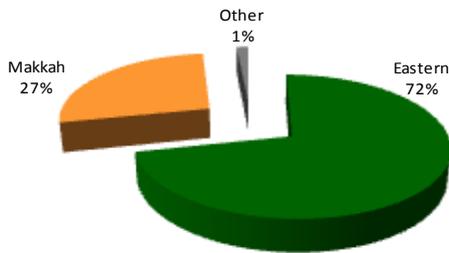
Value of Awarded Contracts in the Petrochemicals Sector



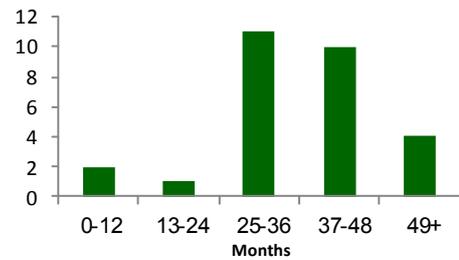
Share of Value of Awarded Contracts by Owners



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts\*

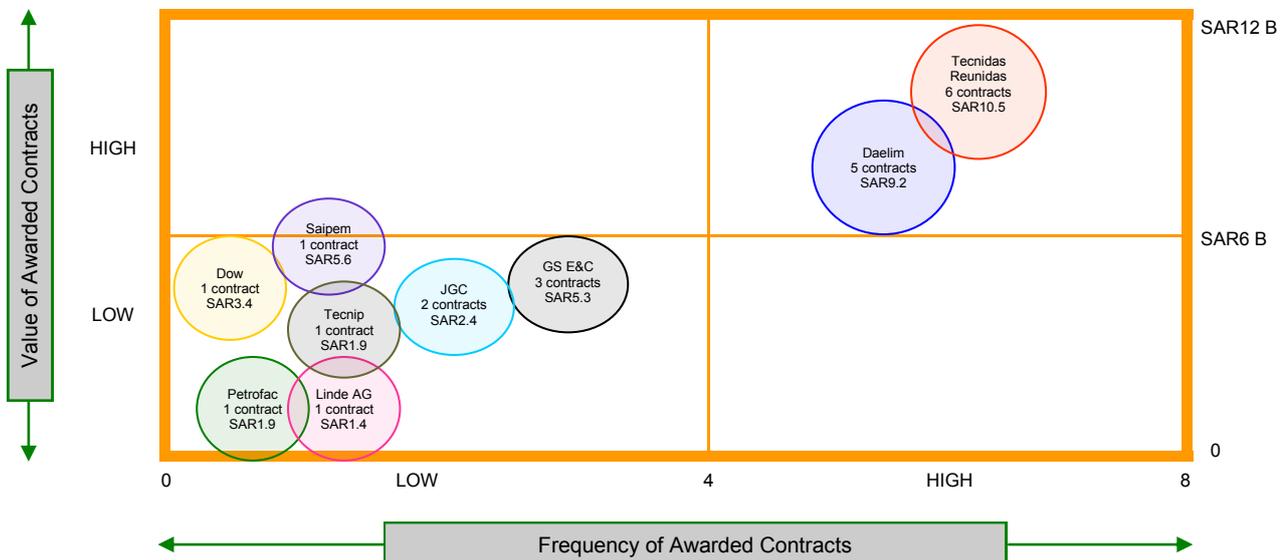


\*Contracts with stated completion period

## Market Dynamics Between Owners and Contractors

The petrochemical sector, unlike last year's dominance by Sadara, became relatively more fragmented in 2012. While Korean and Chinese contractors continued their heavy involvement, Spain's Tecnicas Reunidas led all others in contract awards, most notably for its involvement in Sadara and Kemya's projects.

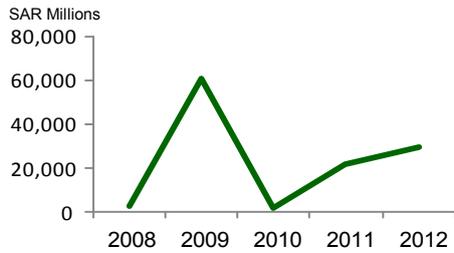
Sadara/Petro-Rabigh/Kemya Distribution of Awarded Contracts During 2012



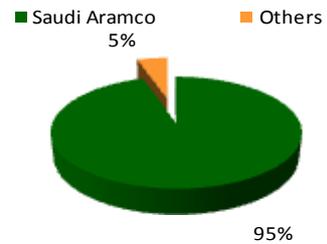
## Oil & Gas

The value of awarded contracts in the oil & gas sector reached SAR29.8 billion in 2012. The oil & gas sector continued its strong growth as multiple mega-projects were awarded by Saudi Aramco to local and foreign contractors. Jizan captured 86% of the oil & gas contracts as a result of the Jizan refinery project being implemented.

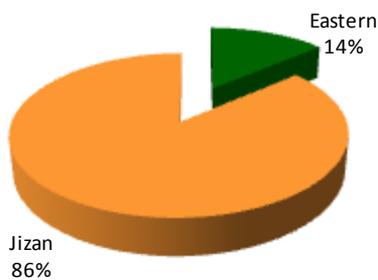
Value of Awarded Contracts in the Oil & Gas Sector



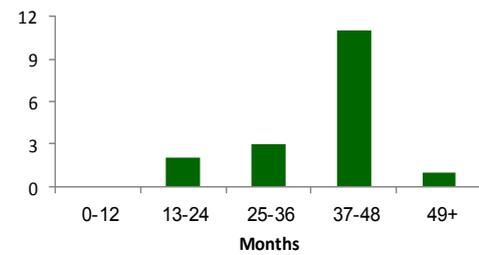
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts\*

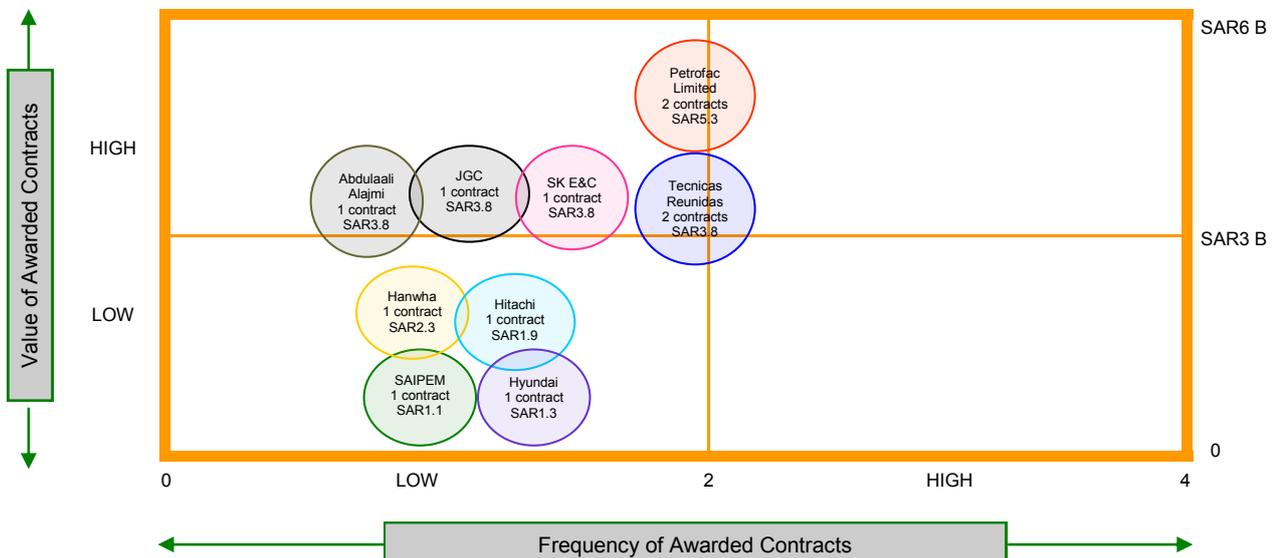


\*Contracts with stated completion period

## Market Dynamics Between Owner and Contractors

Saudi Aramco's involvement in other sectors such as petrochemical, industrial and power illustrates its capabilities to implement and provide the necessary resources to develop other sectors besides oil & gas. The vast majority of its contract awards were for the Jizan refinery project as Aramco chose to diversify the contractors involved instead of relying on a single company to implement the project.

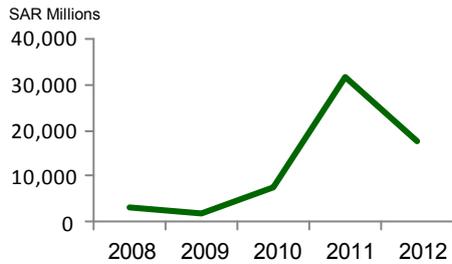
Saudi Aramco Distribution of Awarded Contracts During 2012



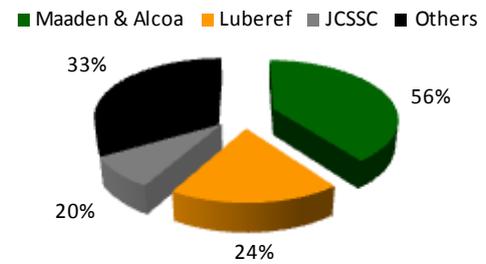
## Industrial

The value of awarded contracts in the industrial sector reached SAR17.8 billion in 2012. Maaden and Alcoa continued as the biggest players in the industrial sector with a majority of the value of their awarded contracts being directed at the alumina refiner at Ras Al-Khair. Luberef had a significant presence as did JCSSC.

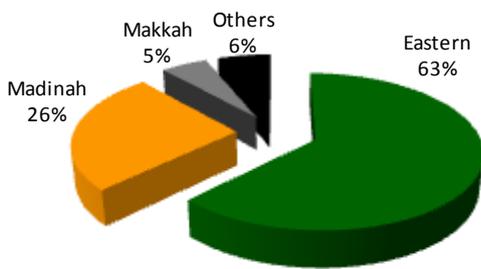
Value of Awarded Contracts in the Industrial Sector



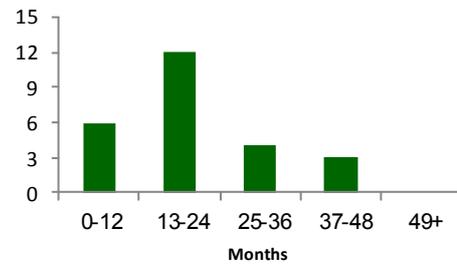
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts\*

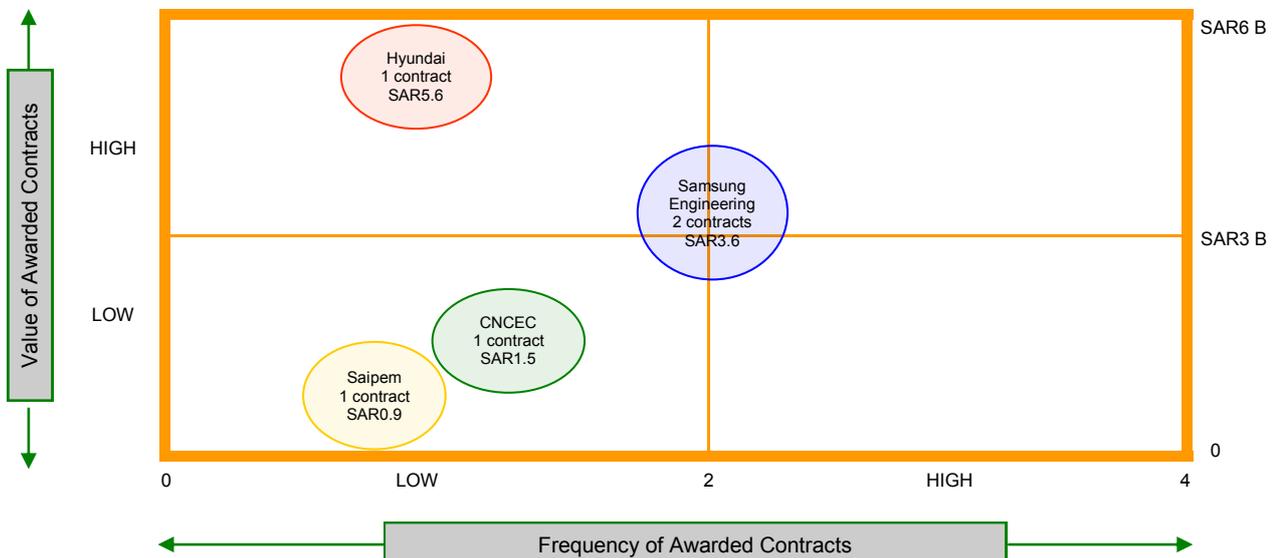


\*Contracts with stated completion period

## Market Dynamics Between Client and Contractors

The industrial sector is fragmented with several large contracts awarded by numerous owners. Korea's Samsung and Hyundai commanded the largest values of awarded contracts, continuing the country's stronghold on the industrial sector. Chinese companies, led by CNCEC also took on an active role in 2012. Numerous opportunities for local contractors was given by the Royal Commission for Jubail and Yanbu to further develop its properties in the Eastern Province.

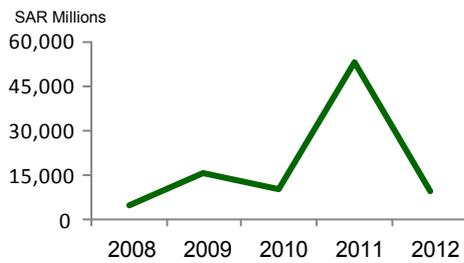
Maaden & Alcoa/ Luberef/JCSSC Distribution of Awarded Contracts During 2012



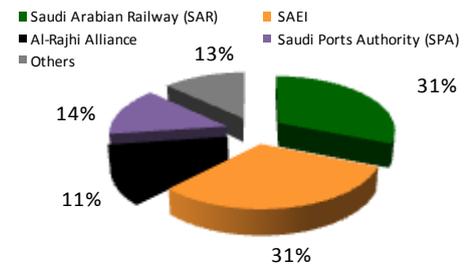
## Transportation

The value of awarded contracts in the transportation sector reached SAR9.6 billion in 2012. Saudi Arabian Railway (SAR) and Saudia Aerospace Engineering Industries (SAEI) awarded the equivalent amount of the value of these contracts, while the Saudi Ports Authority (SPA) made a sizeable contribution with its focus to improve the Kingdom's sea ports.

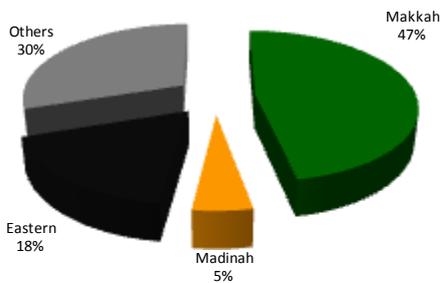
Value of Awarded Contracts in the Transportation Sector



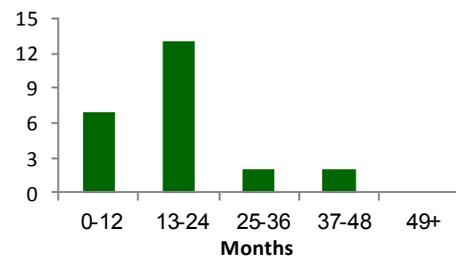
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts\*

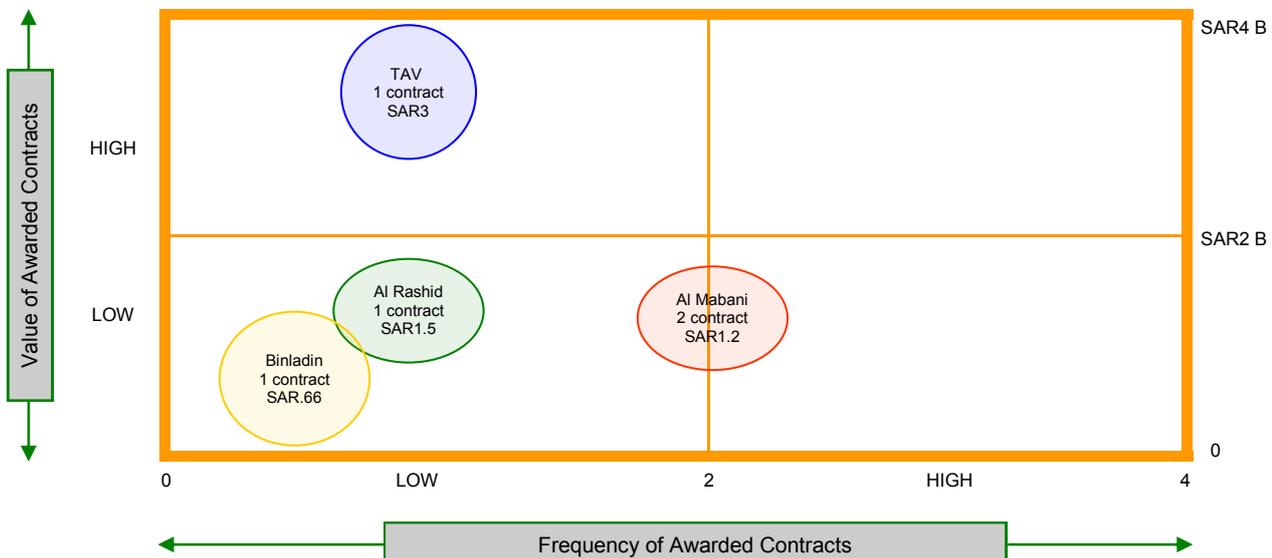


\*Contracts with stated completion period

## Market Dynamics Between Owner and Contractors

The transportation sector had a relatively modest performance compared to 2011. The SAR awarded numerous contracts pertaining to developing a railway link between Ras Al-Khair and Jubail in addition to expanding the overall rail linkages in the Kingdom. Although railways and ports benefited the most, a sizeable contract was awarded for an aircraft maintenance facility at King Abdulaziz International Airport.

SAR/GACA Distribution of Awarded Contracts During 2012



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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.



## Economics Department

### The Economics Department Research Team

Head of Research

**Said A. Al Shaikh, Ph.D**

*Group Chief Economist*

s.alshaikh@alahli.com

Macroeconomic Analysis

**Tamer El Zayat, Ph.D**

*Senior Economist*

t.zayat@alahli.com

**Majed A. Al-Ghalib**

*Senior Economist*

m.alghalib@alahli.com

Sector Analysis/Saudi Arabia

**Albara'a Alwazir**

*Senior Economist*

a.alwazir@alahli.com

**Sara Faidy**

*Economist*

s.faidy@alahli.com

**Yasser Al-Dawood**

*Economist*

Y.aldawood@alahli.com

Management Information Systems

**Sharihan Al-Manzalawi**

*Financial Planning & Performance*

s.almanzalawi@alahli.com

### To be added to the NCB Economics Department Distribution List:

**Please contact: Mr. Noel Rotap**

Tel.: +966-2-646-3232

Fax: +966-2-644-9783

Email: n.rotap@alahli.com

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