

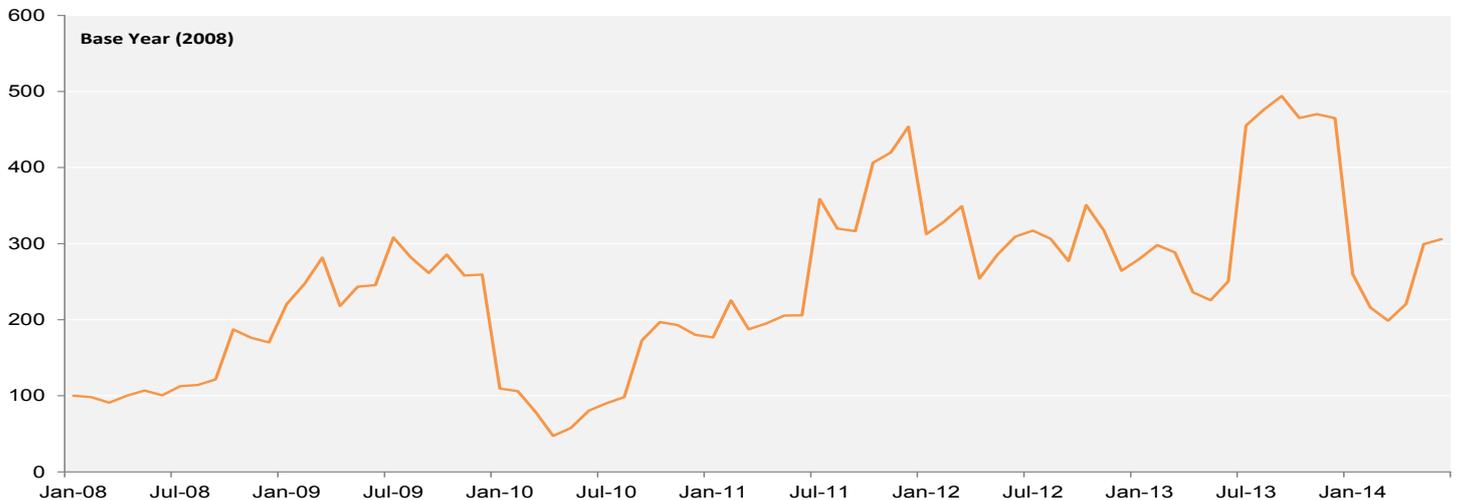
NCB Construction Contracts Index Second Quarter 2014

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. NCB Construction Contracts Index rebounded to reach 304.04 points by the end of the second quarter of 2014, while the total value of awarded contracts reached SAR84.9 billion. The index regained its momentum following a dip during the first quarter, while the total value of awarded contracts through the first half of 2014 reached SAR124.6 billion.
2. April's contract awards were valued at approximately SAR19.6 billion, led by the power and oil & gas sectors.
3. May's value of contract awards climbed to approximately SAR44.1 billion, led once again by the oil & gas and power sectors.
4. June's value of contract awards slipped to approximately SAR21.3 billion, led by the power and petrochemical sectors.

NCB Construction Contracts Index



Source: Various sources, NCB

Value of Contracts

Trailing Twelve Months (2013-2014)	Jul (2013)	Aug	Sep	Oct	Nov	Dec	Jan (2014)	Feb	Mar	Apr	May	Jun
Contract Awards Value (SAR Millions)	105,606	28,813	14,499	11,259	11,834	18,640	21,557	10,804	7,354	19,577	44,102	21,254
CCI Value	455.34	476.21	494.09	465.34	470.25	465.03	260.02	216.09	198.67	218.95	297.66	304.04

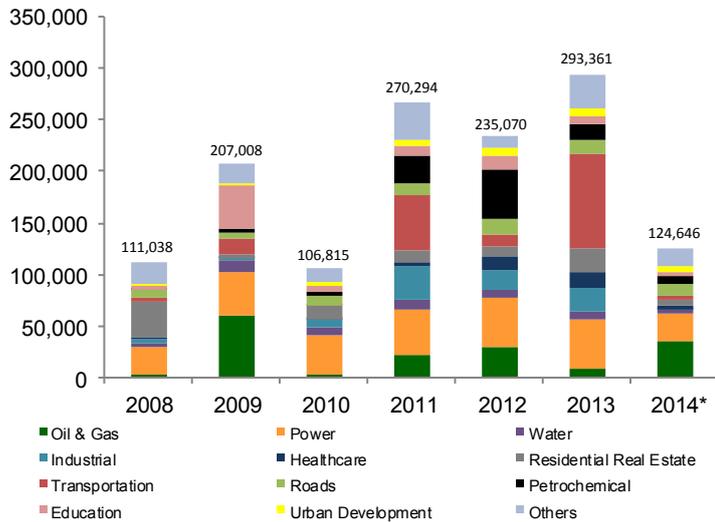
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Construction Contracts Award Index During Q2 2014*

There was a significant upswing in the value of awarded contracts during the second quarter of 2014 as it reached SAR84.9 billion. It marked a strong rebound from the previous quarter. Anchor sectors took hold of the majority of spending, as the power and oil & gas sectors accounted for approximately 60% of the value of awarded contracts. Those two sectors have also dominated the value of awarded contracts during the first half of 2014, accounting for 49% of contracts. The roads sector garnered a distant third, with 9% of the value of awarded contracts during H1'14. Beyond the power and oil & gas sector during Q2'14, the value of awarded contracts were nearly even across a majority of the remaining sectors, (Chart 1), (Chart 2).

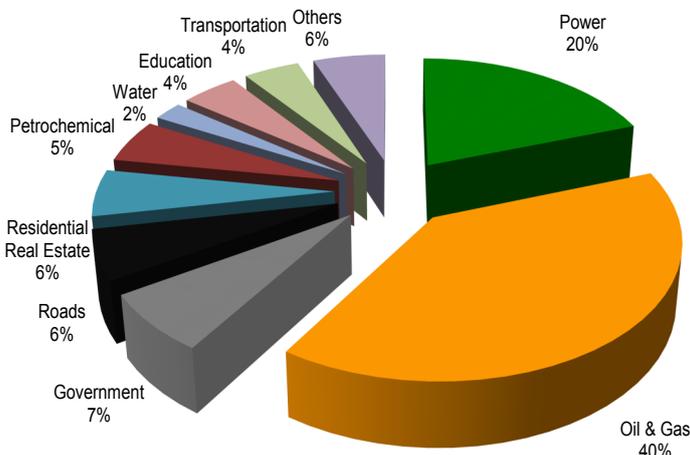
Chart 1: Value of Awarded Contracts by Year (SAR millions)



* Through H1'14

Source: Various sources, NCB

Chart 2: Value of Awarded Contracts by Sector During Q2'14



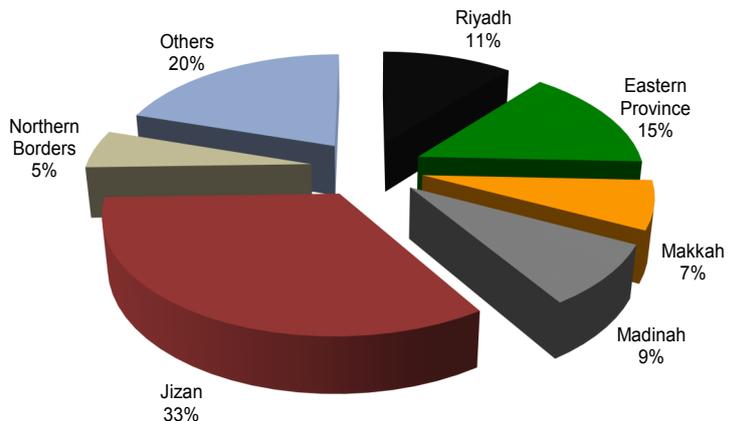
Source: Various sources, NCB

The total value of awarded contracts through H1'14 reached SAR124.6 billion. The resurgence of awarded contracts during Q2'14 has put the pipeline of upcoming construction projects back on track. The Q2'14 value of awarded contracts surpassed Q2'13 by 60% when it reached SAR53.6 billion. Furthermore, the value of awarded contracts during H1'14 surpassed that of H1'13 by 21%, which stood at SAR102.7 billion. As efforts to focus expenditures on construction projects continue, the value of awarded contracts in 2014 will likely parallel the magnitude of projects that were awarded over the last several years.

The Construction Contracts Index (CCI) recovered from the first sub 200 points in 34 straight months that occurred in March. The CCI gradually rose from 218.95 in April to 297.66 and 304.04 in May and June, respectively. Although the CCI dipped below 200 points during Q1'14, it ended 21% higher than the same period in Q2'13. The rally occurred as a result of a very strong performance in May, which witnessed approximately SAR44.1 billion worth of awarded contracts. The CCI is expected to resume this positive trend throughout 2014.

The concentration of contracts within the oil & gas sector in the Jizan region allowed it to capture 33% of the overall share by region. Jizan was the recipient of numerous mega-project contracts as part of Saudi Aramco's development of the Jizan Refinery and Terminal project. The Eastern Province, which had a 15% share witnessed a sizeable petrochemical project that was awarded by SABIC. Riyadh had a significant residential real estate contract as part of the Cordoba project. The power sector accounted for numerous contracts throughout the Kingdom and in Makkah and Madinah in particular, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q2'14



Source: Various sources, NCB

April

The SAR19.6 billion in awarded contract during April was led by the power and oil & gas sectors. Numerous contracts were awarded by the Saudi Electricity Company (SEC) across the Kingdom as part of its strategic plan to increase power generation to further its reach into more households.

Alfanar was the largest recipient of contracts that were awarded to it by SEC as it won 7 contracts worth approximately SAR3.2 billion of the total SAR5.7 billion. The contracts, which spanned across the Kingdom, were mainly for the construction of substations, transformers and switch-gears. The most noteworthy contract called for Alfanar to construct the Tabarjal substation, transformers, switchgears and buildings near Al Qurayyat, Aljouf. The SAR544 million contract is expected to be completed by the third quarter of 2016.

A single contract was awarded in the oil & gas sector in April in the amount of SAR6.2 billion. Saudi Aramco awarded the contract to Dodsai for the development of the first phase of the Master Gas System Expansion (MGSE) in Madinah. The scope of the first phase of the MGSE scheme calls for installation of pipelines across 585 Kms of land as well as the construction of two gas compression stations. The project is expected to be completed by the fourth quarter of 2017.

The residential real estate sector had three contracts worth SAR1.5 billion that was awarded by the Ministry of Housing in April. The largest contract was awarded to Bin Jarallah Establishment for the development of infrastructure works in Khamis Mushait as part of the Saudi Housing Project. The SAR1.3 billion contract is expected to be completed by the second quarter of 2017.

Within the education sector, approximately SAR1.4 billion worth of contracts were awarded. The largest set of contracts was awarded by the Ministry of Higher Education in the amount of SAR700 million for the construction of the female faculty building, study halls and laboratories at the Salman bin Abdulaziz University in Al Kharj.

The roads sector had approximately SAR1.1 billion in awarded contracts. The majority of these contracts were awarded by the Ministry of Transport. However, the largest contract was awarded by the Arriyadh Development Authority to Al Fahd Company in the amount of SAR900 million. The contract calls for Al Fahd Company to develop 12 km of road work as phase two of the Abu Bakr Al Siddiq motorway upgrade project. The contract is expected to be completed by the second quarter of 2017.

May

For the second consecutive month, the oil & gas and power sectors led all other sectors in contract awards. The two sectors accounted for SAR31.1 billion of the overall SAR44.1 billion in value of awarded contracts. The oil & gas sector alone had six contracts worth approximately SAR27.4 billion in May. Five of the six contracts were awarded as part of Saudi Aramco's Jizan Refinery IGCC power plant.

The largest of the five contracts was awarded to Shandong Electric Power Construction Corporation in the amount of SAR9.4 billion. Shandong will be tasked with the development of a combined cycle power plant that will cover a portion of the refinery's power needs. The scope of the project entails the construction of 10 gas turbines, 5 steam turbines,

15 generators and 10 heat recovery steam generators. The project is expected to be completed by the fourth quarter of 2016.

The second contract was awarded to Tecnicas Reunidas in the amount of SAR6.4 billion. The scope of the project entails the development of the offsite and utilities work associated with the Jizan refinery project. The project is expected to be completed by the fourth quarter of 2017.

Two contracts pertaining to the Jizan refinery were awarded to Eni Saipem, each worth at SAR3.8 billion. The first contract calls for the construction of the gasification unit in addition to associated work. This project is expected to be completed by the first quarter of 2017. The second contract calls for the construction of six sulfur recovery units and storage facilities. The project is also expected to be completed by the first quarter of 2017.

The fifth contract was awarded to China Harbor Engineering Company in the amount of SAR2.1 billion. The scope of the project entails the installation of a water intake pipeline and the construction of a water treatment facility and pump station, dredging of intake canal and erecting a 4km break wall. The project is expected to be completed by the third quarter of 2016.

Eni Saipem was the recipient of another contract award from Saudi Aramco. However, the work will span across the Kingdom and calls for the installation of natural gas liquid pipelines from Shedgum in the Eastern province to Yanbu Industrial City. The SAR2.1 billion contract is expected to be completed by the third quarter of 2017.

Approximately SAR3.7 billion worth of contract were awarded in power sector. The largest contract was awarded by Makkah Municipality to ACWA Power in the amount of SAR2.4 billion. The project calls for the construction of a 100MW solar power plant in addition to a number of associated facilities and works. The project is expected to be completed by the fourth quarter of 2017.

Within the residential real estate sector, a sizeable contract was awarded by Solidere to Saudi Lebanese Tarouk for the development of the Cordoba project in Riyadh. The SAR3 billion project will allow for 9 residential building, each five stories high that will encompass a total built up area of 65,750 sqm. Furthermore, 204 villas will be constructed with a built up area of 51,850 sqm, 126 townhouses with a total built up area of 24,870 sqm, 45 courtyard houses with a built up area of 12,080 sqm, a single club house with a built up area of 9,000 sqm and two mosques each with 1,150 sqm in built up area. The project is expected to be completed by the third quarter of 2019.

June

The value of awarded contracts declined in June to reach SAR21.3 billion. The power sector led all other sectors once again, as it accounted for SAR7.2 billion worth of awarded contracts. Two notable contracts were awarded by SEC to

Al Toukhi Company each worth SAR750 million. The contracts pertained to converting of simple cycle turbines to combined cycles in Hail and Eastern Province. The projects are expected to be completed by the third quarter of 2017.

Al Rashid Trading & Contracting was also awarded two contracts worth SAR750 million each. Both contracts pertained to the construction of two gas turbine generators in Eastern Province and one in Rafha. The contracts are expected to be completed by the first quarter of 2017.

Within the petrochemical sector, a SAR4.5 billion contract was awarded by the SABIC/Lucite JV to the CTCI Corporation. The contracts call for the construction of a methyl methacrylate unit, which will produce 250,000 tons a year and a polymethylmethacrylate unit, which will produce 40,000 tons a year. The project is expected to be completed by the first quarter of 2017.

The government sector has approximately SAR3.1 billion worth of awarded contract during June. The largest contract was awarded by the Ministry of Interior to Al Seif Engineering Contracting in the amount of SAR2.5 billion. The contract is for the completion of Phase B of the Ministry of Interior's security compound project spanning across the Kingdom. The compounds will contain schools, mosques, theaters, civilian dormitories, military barracks, administration building, training facilities, recreation buildings and entertainment buildings. Phase B is expected to be completed by the second quarter of 2017.

Outlook

The value of awarded contracts during Q2'14 has regained the momentum that has been witnessed over the last few years. The construction market relies heavily on key market determinants such as demographic dynamics, labor size and the health of the Kingdom's industries. These factors continue to propel the growth of the construction sector as demand for social and physical infrastructure have and will continue to be a focal point of the government.

Upcoming contracts are expected to include numerous mega-projects within the anchor sectors. One significant project that is expected to be awarded is the terminal upgrades at King Khalid International Airport. Additionally, Saudi Aramco is receiving bids for its SAR11 billion Khurais oil field expansion in the Eastern Province.

Selected Awarded Contracts During the Second Quarter of 2014:

Sector	Contractor	Client	Details	Value (SAR millions)
Oil & Gas	Shandong	Saudi Aramco	Construction of combined cycle power plant in Jizan	9,375
	Tecnicas Reunidas	Saudi Aramco	Offsite & utilities at Jizan refinery	6,375
	Dodsai	Saudi Aramco	MGSE project in Madinah	6,188
	Eni Saipem	Saudi Aramco	Jizan refinery gasification	3,750
	Eni Saipem	Saudi Aramco	Jizan refinery sulfur recovery	3,750
	Eni Saipem	Saudi Aramco	Shedgum to Yanbu pipeline extension	2,063
	China Harbor	Saudi Aramco	Water intake facility at Jizan refinery	2,063
Power	ACWA Power	Makkah Municipality	Build a solar power plant	2,400
Petrochemical	CTCI	SABIC/Lucite JV	MMA and PMA plants	4,500
Government	Al Seif Engineering & Contracting	Ministry of Interior	Phase B of Security Compound	2,501
Residential Real Estate	Saudi Lebanese Tarouk	Solidere	Cordoba project in Riyadh	3,000
	Bin Jarallah Establishment	Ministry of Housing	Infrastructure package in Khamis Mushait	1,301

Source: Various sources, NCB

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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