



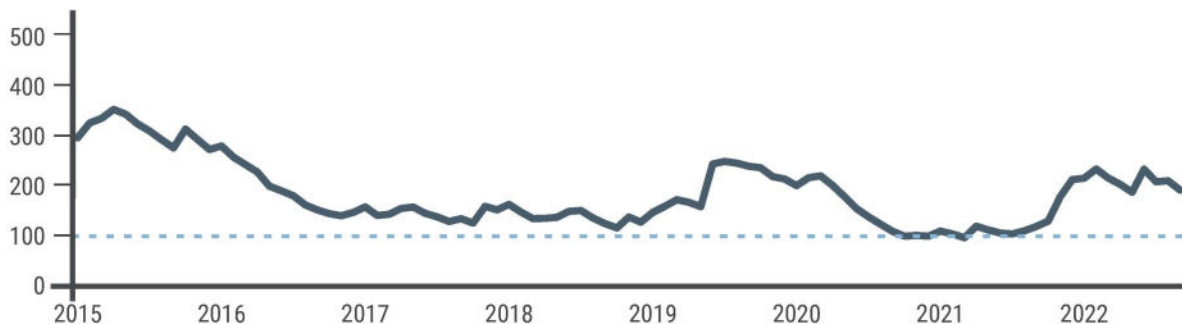
USSBC Contract Awards Index Third Quarter 2022

Contracts Awarded by Sector



Real estate contributed the largest share of the value of awarded contracts in Q3 with 50 percent. Transportation constituted 13 percent of the total value, followed by water (13 percent), power (10 percent), oil & gas (6 percent), and industrial (4 percent). Other categories accounted for the remaining 4 percent.

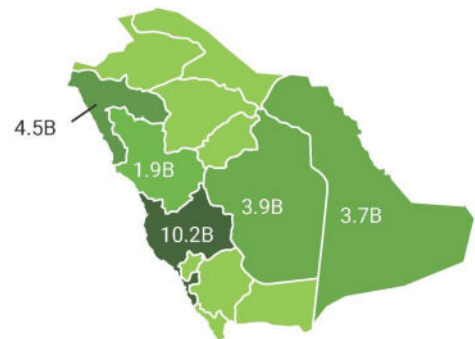
Contract Awards Index Over Time



The USSBC Contract Awards Index reached 188.11 points as market fundamentals strengthen on growing construction activity. The total value of contracts reached SAR119.7 billion (\$31.9 billion) through the first three quarters of 2022.

Contract Awards By Province

Makkah Province saw the highest value of contracts in Q3 2022 for the first time this year, accounting for 40 percent of the total. A major mixed-use development in Makkah by Umm Al Qura was the largest contract awarded in Q3. Tabuk held 18 percent of the total which included SWCC contracts to build reservoirs and water transmission pipelines in northwest Saudi Arabia. Riyadh and Eastern Provinces both accounted for 15 percent of the total. Riyadh saw several significant residential real estate construction contracts while the Eastern Province saw gas and industrial contracts signed by Saudi Aramco. Madinah Province received 7 percent of contract values, including the Al Samiya housing project.



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

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Highlights

1. The total value of awarded contracts during the third quarter reached SAR25.2 billion (\$6.7 billion), marking a 6 percent decline compared to last year. The total value reached SAR119.7 billion (\$31.9 billion) through the first three quarters of 2022.
2. The USSBC Contract Awards Index reached 188.11 points as market fundamentals strengthen on growing construction activity.
3. The real estate sector captured the highest value of awarded contracts with approximately SAR12.6 billion (\$3.3 billion).
4. The transportation sector slipped to the second spot as the value of awarded contracts reached approximately SAR3.4 billion (\$912 million).
5. The water sector rounded out the top three sectors to reach SAR3.2 billion (\$863 million) worth of awards.

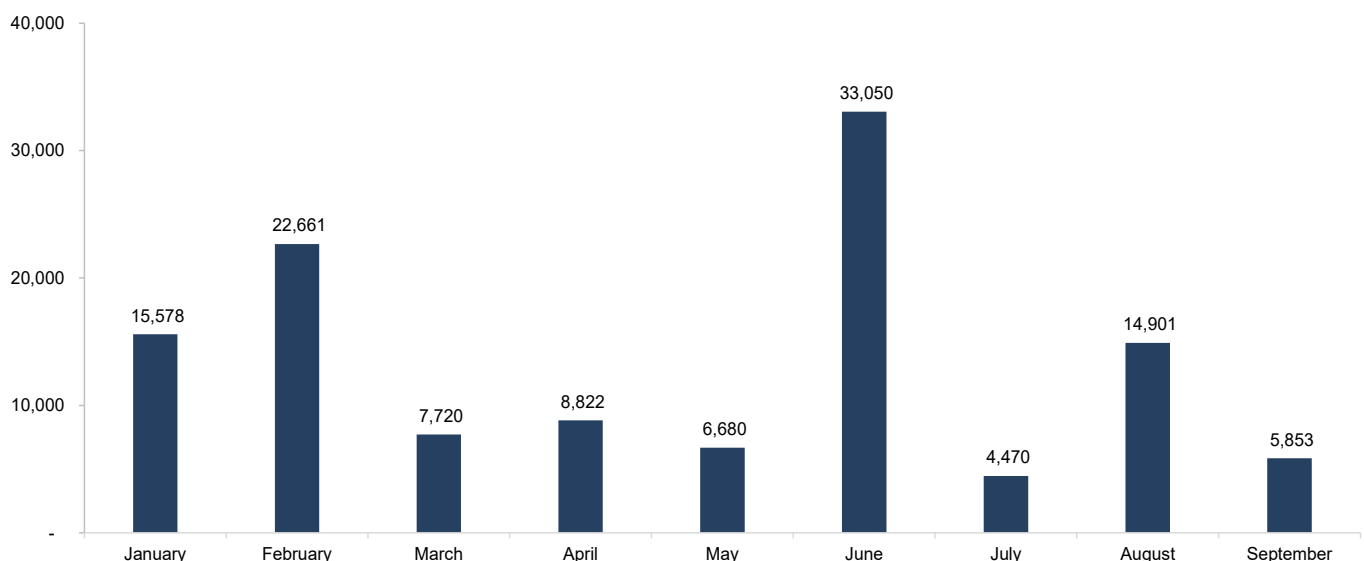
Key Takeaway:



The construction sector continues to perform at a fast pace as a number of supporting developments have aided in its surge. The improved macroeconomic environment spurred by the Kingdom’s oil revenues coupled with ongoing non-oil sector initiatives have helped propel project awards.



Value of Awarded Contracts During Q3 2022 (SAR Millions)



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

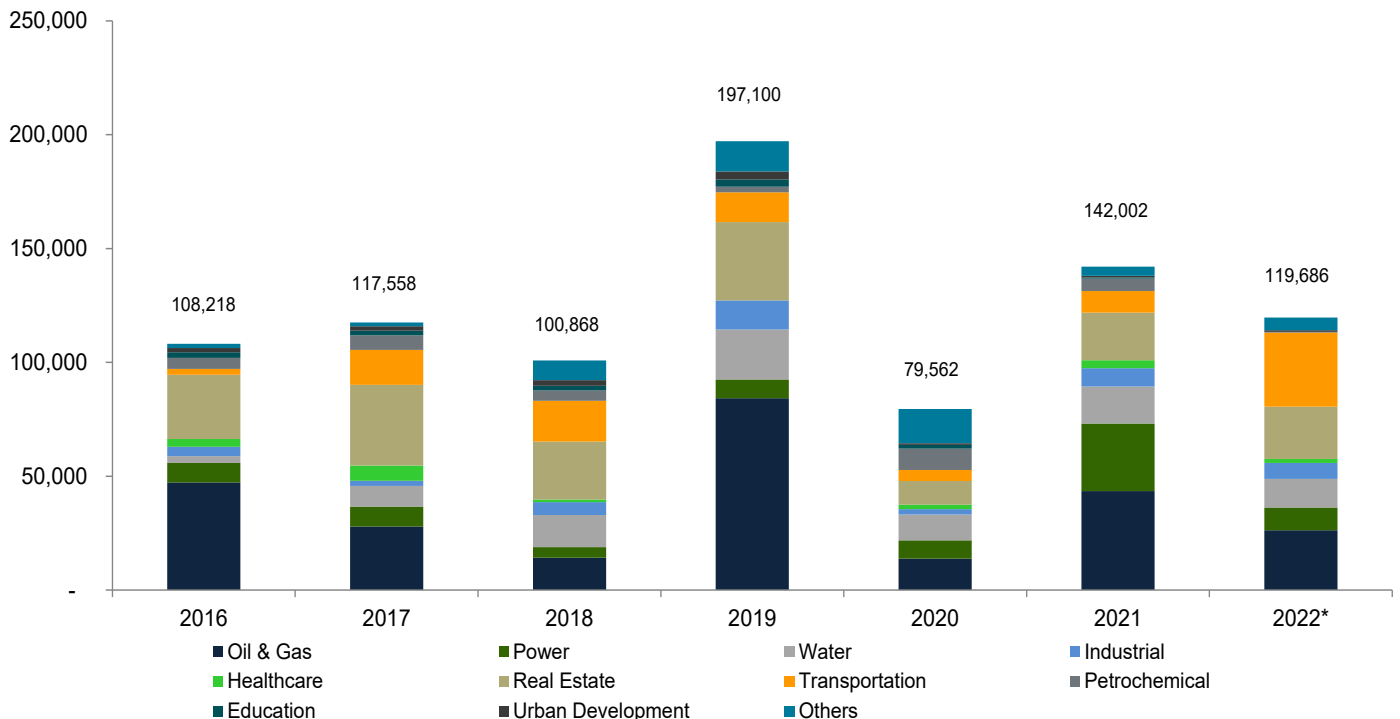


Overview of Awarded Contracts During Q3 2022

The total value of awarded contracts during Q3'22 reached SAR25.2 billion (\$6.7 billion) as the construction sector is headlined by a number of Vision Realization Programs relating to tourism and housing along with physical infrastructure developments. Despite a dip in awarded contracts of 6 percent YoY during the quarter, the value of awarded contracts thus far is on track to exceed 2021's performance. Through the first three quarters of 2022, the value of awarded contracts reached SAR119.7 billion (\$31.9 billion), representing a 67 percent climb YoY. The Kingdom continues to witness tremendous growth as its GDP grew by 8.8 percent YoY during Q3'22, which was the highest among G20 economies. Oil sector GDP contributed with a 14.2 percent increase while non-oil sector GDP witnessed a 6 percent jump. Construction sector GDP contributed with a 4.4 percent increase YoY. Furthermore, gross fixed capital formation (GFCF) grew by 42 percent YoY, with the private sector's share witnessing a 39.8 percent hike.

The SAR25.2 billion (\$6.7 billion) in awarded contracts were led by the real estate, transportation, and water sectors, as they accounted for 76 percent of the total. The real estate sector accounted for 50 percent of the total alone as mixed-use real estate projects led all other real estate subsectors. Other contributors included the power, oil & gas, and industrial sectors.

Value of Awarded Contracts by Year (SAR Millions)



*Through Q3'22

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

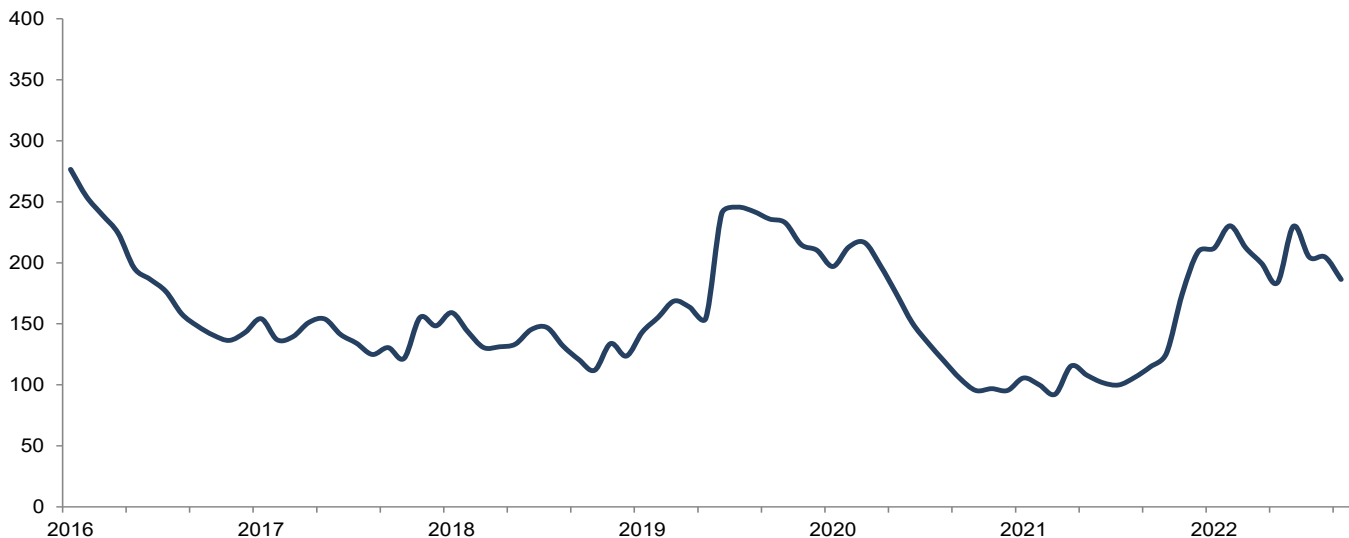


USSBC's Contract Awards Index Performance Through Q3 2022*

The USSBC Contract Awards Index (CAI) retracted to 188.11 points by the end of the third quarter. The CAI dipped below 200 points to finish a quarter for the first time since the third quarter of 2021. Although the CAI declined, the construction sector continues to operate in an expansionary environment as it remains well above the 100-point threshold that separates expansion from contraction. The CAI grew by 73.27 points or 64 percent YoY and decreased by 41.88 points or 36 percent QoQ. On a monthly basis during Q3'22 the CAI reached 204.67 points in July, 206.73 points in August, and 188.11 points in September.

The CAI's performance during the first three quarters of 2022 reveals the resurging health of the construction sector whereby the value of construction projects under execution continue to soar. As construction activities lag behind the CAI, the value of executed projects witnessed a sizeable rebound after bottoming out in 2020. The gradual decrease in building material costs coupled with growing demand for cement has aided in the viability of projects currently in the execution stage along with developments that are on the short-term horizon. The awarding of mega-projects across a number of sectors will keep construction activity buoyed in the coming years as VRP's are expected to be delivered.

USSBC Contract Awards Index Performance



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

* The USSBC CAI is calculated using a 12 month exponential moving average. This calculation smoothens the data while reducing the effects of outliers within the observation period. The index aims to give our readers a sense of direction on construction activities that will transfer to the execution phase over the next 6 to 18 months. Thus, the CAI should be used as a forward looking tool to gauge the health of construction activities across all sectors. In general, a CAI reading of 100 points and above indicates an expansion while a sub-100 point reading indicates a possible contraction.



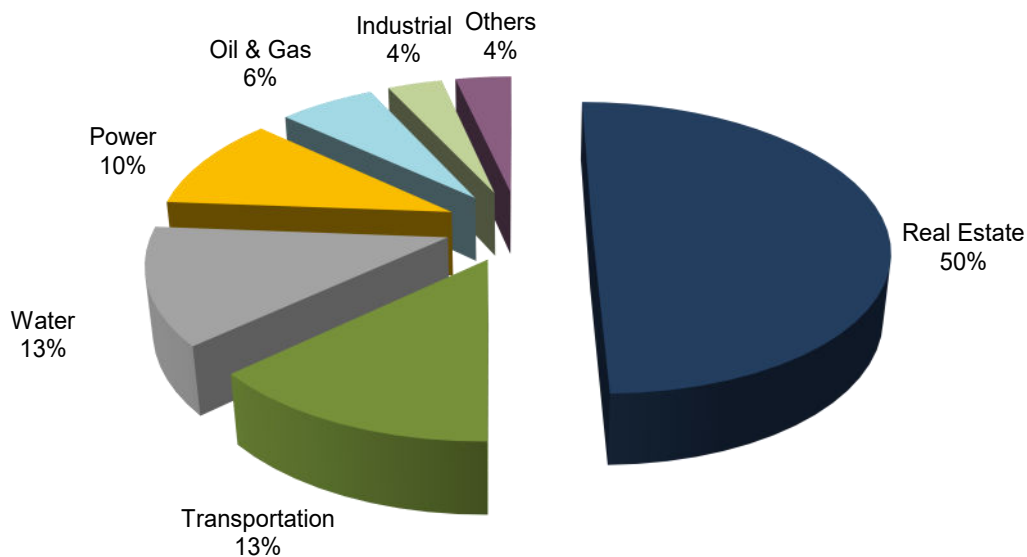
Overview of Awarded Contracts By Sector During Q3 2022

The real estate sector witnessed a jump in awarded contracts during Q3'22 as it reached SAR12.6 billion (\$3.3 billion) or 50 percent of the total. The mixed-use real estate market accounted for the highest value with a single contract in Makkah. The residential real estate market accounted for the second highest by value as numerous deals were awarded by ROSHN and the National Housing Company (NHC) across the Kingdom. The commercial real estate and hospitality markets rounded out the remaining contracts.

The transportation sector slipped to SAR3.4 billion (\$912 million) or 19 percent of the total after leading all other sectors during the first two quarters. Neom resumed awarding numerous transportation infrastructure packages with specific contracts this quarter pertaining to developing the 'The Spine' rail project. A number of contracts were awarded by Red Sea Global in Tabuk for the development of roadway bridges.

The water sector garnered the third largest share of awarded contracts with SAR3.2 billion (\$863 million) or 13 percent of the total. The two main awarders were the Saline Water Conversion Corporation (SWCC) and the National Water Company (NWC). The larger projects included the construction of reservoirs, pump stations, and water transmission pipelines in Tabuk and surrounding areas. NWC awarded contracts pertaining to developing sewage networks and water transmission lines in the Tabuk and Makkah areas.

Value of Awarded Contracts by Sector During Q3 2022



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



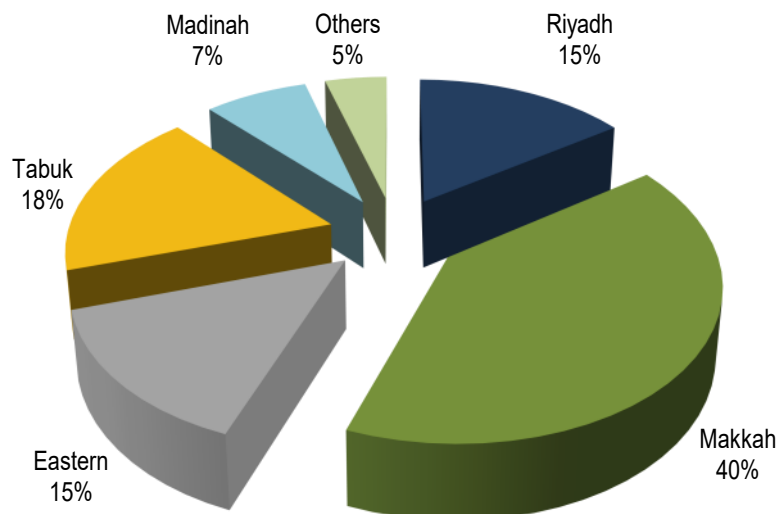
Overview of Awarded Contracts By Region During Q3 2022

The Makkah region registered the highest tally as it attracted SAR10.2 billion (\$2.7 billion) or a 42 percent contribution. The real estate sector accounted for a majority of Makkah's contracts as it garnered SAR7.8 billion (\$2.1 billion) or 76 percent of the total. The power sector registered the second highest value of awarded contracts in Makkah with SAR1.3 billion (\$340 million) as the Saudi Electricity Company (SEC) undertook the construction and expansion of several substations. The urban development sector accounted for the third largest share with SAR506 million (\$135 million).

The Tabuk region accumulated the second largest share of awarded contracts by region with SAR4.5 billion (\$1.2 billion) or 18 percent of the total. Neom's awarding of five transportation infrastructure packages including the initial development of 'The Spine,' accounted for SAR2.2 billion (\$590 million) or 49 percent of Tabuk's total. The remaining transportation contracts involved developments packages at Red Sea Global worth SAR469 million (\$125 million). The other major contributing sector was water with SAR1.8 billion (\$480 million) or 40 percent.

The Eastern Province contributed SAR3.7 billion (\$974 million) or 15 percent of the total. The oil & gas sector accounted for the highest share with SAR1.6 billion (\$420 million) or 43 percent. The industrial sector accounted for the second highest value with SAR900 million (\$240 million). The real estate sector accounted for the third highest share with SAR713 million (\$190 million) or 20 percent.

Value of Awarded Contracts by Region During Q3 2022





Breakdown of Awarded Contracts Across Top Performing Sectors

Real Estate

The real estate sector rebounded from a soft second quarter as it awarded 15 contracts worth SAR12.6 (\$3.3 billion) during Q3'22. Mixed-use real estate led with one contract worth SAR7.5 billion (\$2 billion), while the residential real estate market witnessed eight contracts worth SAR4 billion (\$1.1 billion), followed by commercial real estate with four contracts worth SAR548 million (\$146 million), and hospitality with two contracts worth SAR544 million (\$145 million). Overall, the real estate sector grew by SAR11.7 billion (\$3.1 billion) QoQ during Q3'22 and increased by SAR6.3 billion (\$1.7 billion) or 102 percent YoY. Through the first three quarters of 2022 (YTD), real estate gained the third highest value of awarded contracts by sector with SAR23 billion (\$6.1 billion) or 19 percent of the total, after transportation and oil & gas. On a YoY comparison, the real estate sector's awarded contracts grew by SAR9.7 billion (\$2.6 billion) or 73 percent.

The largest contract in the real estate sector was awarded within the mixed-use market in August. The contract was awarded by Umm Al Qura for Development & Construction to the local Saudi Arabian Baytur Construction Co. in the amount of SAR7.5 billion (\$2 billion). According to MEED Projects, the project is part of the Masar Package A in Makkah, which calls for the construction of three hotels totaling 1,172 rooms, two shopping malls, recreational facilities, parking, and associated facilities on 357,075 square meters of land. The project is expected to be completed by the fourth quarter of 2025.

Within the residential real estate market's eight contract awards, ROSHN accounted for the highest contract values while the NHC accounted for five contracts worth SAR2.2 billion (\$578 million). The largest contract was awarded by ROSHN in the amount of SAR1.2 billion (\$320 million) in August to the local Alkifah Contracting for developing phase 1B of the Sedra District in Riyadh. According to MEED Projects, the scope of work will include the construction of 88 buildings, 1,290 residential units, schools, mosques, utility networks, internal roads, and associated facilities. The development will be situated on 241,600 square meters of land. The Sedra masterplan entails constructing more than 30,000 homes with 300 amenities on 20 million square meters across eight phases. Phase 1B is expected to be completed by the fourth quarter of 2025.

The largest of NHC's contracts was awarded to the local Retal Urban Development Company in September in the amount of SAR864 million (\$230 million). The project calls for developing 759 housing units in Riyadh on a total land area of 227,837 square meters. The project is expected to be completed by the second quarter of 2026.

The second largest contract awarded by NHC went to the local Sumou Real Estate Co. in the amount of



SAR540 million (\$144 million) in August. The project involves the construction of 507 villas situated on 128,741 square meters in Madinah's Abyar Ali neighborhood. The project is expected to be completed by the second quarter of 2026.

NHC also awarded its third largest contract to Sumou Real Estate Co. for the development of 82,483 square meters of land for residential construction in the Riyadh neighborhood of Dahiyat Al Fursan. The contract, which was awarded in September in the amount of SAR403 million (\$107 million) is expected to be completed by the second quarter of 2026.

The Ministry of Housing awarded a SAR300 million (\$80 million) contract to the local Dor Real Estate in July. According to MEED Projects, Dor Real Estate will construct 117 villas and 358 apartments situated on 136,759 square meters of land as part of Zahiya Residential Complex in Madinah. The project is expected to be completed by the fourth quarter of 2024.

Transportation

The transportation sector witnessed a drop in contract awards during Q3'22 but remained the second highest performer with a value of SAR3.4 billion (\$912 million). The 12 contract awards during the quarter were dominated by Neom's four infrastructure and earthwork packages pertaining to The Line's high-speed rail link called 'The Spine.' The transportation sector declined by SAR18.9 billion (\$5 billion) QoQ but advanced by SAR780 million (\$208 million) or 30 percent YoY. On a YTD basis, the transportation sector has attracted SAR32.6 billion (\$8.7 billion) in contract awards or 27 percent of the total, which ranks at the top. On a YoY comparison, the transportation sector remains well ahead of last year's pace as it posted an increase by SAR8.1 billion (\$2.2 billion) or 303 percent.

Neom awarded five contracts worth SAR2.2 billion (\$590 million) to local contractors. According to MEED Projects, all the contracts involved undertaking the construction of excavation works, waterproofing and shoring, dewatering, and temporary supporting facilities. Two contracts were awarded to Al Ayuni Investment & Contracting during August in the amount of SAR1.1 billion (\$280 million). The largest of the two contracts went for SAR750 million (200 million) to develop lot 8A while the second contract went for SAR300 million (\$80 million) to develop lot 10. Both contracts are expected to be completed by the fourth quarter of 2024.

Neom also awarded two contracts to Mohammed Ali Al Swailem Group in the amount of SAR863 million (\$230 million). The larger contract went for SAR563 million (\$150 million) to develop lots 1 and 2. The second contract was awarded in the amount of SAR300 million (\$80 million) for the development of lot 4B. Both contracts are expected to be completed by the fourth quarter of 2024.



The fifth contract awarded by Neom went to Shibh Al Jazira Contracting in August in the amount of SAR300 million (\$80 million). The contract involved the development of lot 11 and is expected to be completed by the fourth quarter of 2024.

Red Sea Global awarded two contracts in August to China Harbor Engineering Company in the amount of SAR469 million (\$125 million) for development work on Shura Island. The first contract was awarded in the amount of SAR300 million (\$80 million) and calls for the construction of 12 bridges along with culverts and associated infrastructure works. The project is expected to be completed by the third quarter of 2024.

The second contract by Red Sea Global was in the amount of SAR169 million (\$45 million). The project entails the construction of four bridges and associated pavement, street lights, and infrastructure works. The project is expected to be completed by the fourth quarter of 2023.

The Saudi Ports Authority (Mawani) awarded a SAR375 million (\$100 million) contract in September to develop an integrated logistics park and re-export zone on 135,000 square meters of land at the Jeddah Islamic Port. According to MEED Projects, the project was awarded to the local Globe Marine Services Co. The scope of the work entails constructing a warehouse, e-commerce facility, distribution centers, and a hub for transshipments. The project is expected to be completed by the third quarter of 2023.

Water

The water sector maintained its position as the third highest awardee of contracts from last quarter to reach SAR3.2 billion (\$863 million). All four contracts were awarded by SWCC and NWC evenly, and involved the construction of reservoirs, pump stations, water transmission pipelines, and developing sewage networks. The water sector declined by SAR2.9 billion (\$772 million) or 47 percent QoQ and by SAR3.3 billion (\$890 million) or 51 percent YoY. On a YTD basis, the water sector has garnered SAR12.6 billion (\$3.4 billion) in awarded contracts or 11 percent of the total, which ranks as the fourth highest. On a YoY comparison, the water sector increased by SAR555 million (\$148 million) or 5 percent.

SWCC's two contracts accounted for SAR2.6 billion (\$702 million) or 81 percent of the water sector's total this quarter. The largest contract was awarded in September to a joint venture between Al-Rashid Trading & Contracting and Bin Omairah in the amount of SAR1.8 billion (\$476 million) in Tabuk. According to MEED Projects, 16 reservoirs will be built along with installing 600 kilometers of water transmission piping. A new pump station will also be constructed. The project is expected to be completed by the fourth quarter of 2026.

The second contract was awarded in August to Saudi Services for Electro Mechanic Works in the amount of SAR833 million (\$222 million) in Abha. According to MEED Projects, the project encompasses package



A, which consists of three parts. Part one involves the supply of pipe works, while part two includes the construction, pipe laying, coating, and lining works for 35 kilometers of pipes. The third part consists of station construction works for reservoirs, line valve stations, and tie-in stations. The project is expected to be completed by the fourth quarter of 2024.

The two contracts awarded by NWC amounted to SAR604 million (\$161 million) during August and accounted for the remaining 19 percent of the sector's total. The first contract was awarded to the local Al Fahd Company in the amount of SAR398 million (\$106 million) for the construction of main water lines, a lifting station, and sewage networks in Riyadh. Al Fahd Company will install 265 kilometers of sewage networks, expanding a pumping station, laying of main lines, and civil works. The project is expected to be completed by the first quarter of 2024.

The second contract awarded by NWC went to the local Bin Omairah in the amount of SAR206 million (\$55 million). The scope of work involves the installation of an 8 kilometer main transmission line, construction of storage tanks and pumping stations, and installation of water filtration units and safety systems in Makkah. The project is expected to be completed by the fourth quarter of 2025.

Contract Awards Outlook

The construction sector continues to perform at a fast pace as a number of supporting developments have aided in its surge. The gradual decrease in the cost of building materials and the recent increase in cement sales, which has now grown seven consecutive months since May 2022 have been fueled by developments stemming from the Kingdom's diversification projects. Over the last two quarters Neom has played a significant role in ramping up construction contracts. Thus far in 2022, it has awarded SAR23.7 billion (\$6.3 billion) worth of contracts across a number of sectors. Projects such as 'The Line' and its railway network, 'The Spine' have contributed to the biggest developments at Neom to date.

The value of contract awards thus far through the first three quarters of SAR119.7 billion (\$31.9 billion) is SAR48 billion or 67 percent higher than the same period last year. The improved macroeconomic environment spurred by the Kingdom's oil revenues coupled with ongoing non-oil sector initiatives have helped propel project awards. Furthermore, the government's financial position as reflected in its budgetary performance will continue to help speed the rate of mega-project awards over the next few years.

Looking ahead, a number of sizeable contracts are expected to be awarded during Q4'22 that are anticipated to further elevate the construction sector. Neom will continue to dominate as it begins to award residential real estate projects and create community villages. ROSHN is expected to continue its



push as a national leader in developing residential communities to meet the national goal of a 70 percent home ownership rate by 2030. Although the oil & gas sector was not as active during this quarter, it is still expected to see a number of large projects being awarded by Saudi Aramco during the fourth quarter.



Notable Contracts During Q3 2022

Sector	Region	Client	Contractor	Details	Value (SAR million)
Real Estate	Makkah	Umm Al Qura	Saudi Arabian Baytur Construction Co.	Construction of mixed-use development in Makkah	7,500
	Riyadh	ROSHN	Alkifah Contracting	Sedra community development	1,200
	Riyadh	Retal Urban Development Company	NHC	Develop 759 housing units	864
Transportation	Tabuk	Neom	Al Ayuni Investment & Contracting	Earthworks package for The Spine	750
	Tabuk	Neom	Mohammed Ali Al Swailem Group	Earthworks package for The Spine	563
Water	Tabuk	SWCC	Al-Rashid Trading & Contracting	Construct reservoirs, pump stations, and water transmission lines	1,800
Oil & Gas	Eastern	Doosan Enerbility	Saudi Aramco	Independent steam and power project at Jafurah	1,575

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



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 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 Business Council.

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