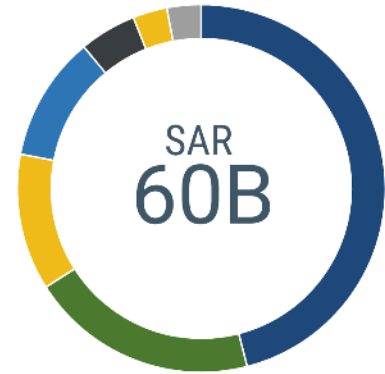
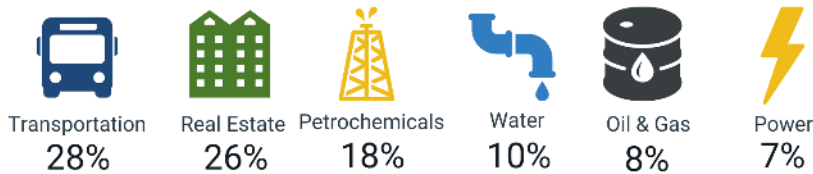




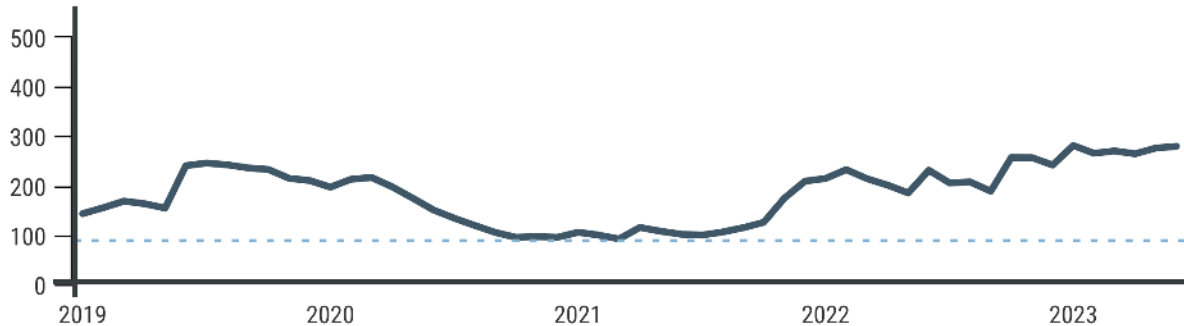
USSBC Contract Awards Index Second Quarter 2023

Contracts Awarded by Sector



Transportation contributed the largest share of the value of awarded contracts in Q2 with 28 percent. Real Estate constituted 26 percent of the total value, followed by petrochemicals at 18 percent, water at 10 percent, oil & gas at 8 percent, and power at 7 percent. Other categories accounted for the remaining 3 percent of the Q2 total.

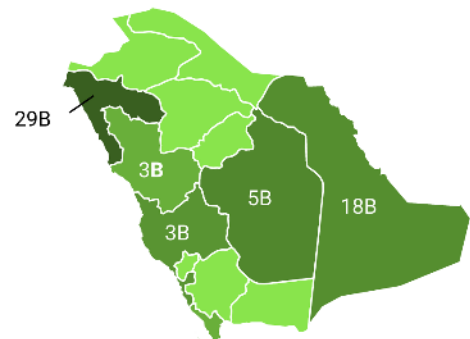
Contract Awards Index Over Time



The USSBC Contract Awards Index climbed to 279.51 points as the sector witnesses a resurgence in construction activity and elevating the CAI above the 200-point mark in two consecutive quarters.

Contract Awards By Province

Tabuk saw the highest value of contracts in Q2 2023, accounting for 48 percent of the total. Major transportation and real estate contracts were the primary drivers of the total. The Eastern Province was second with 31 percent of the total. Projects included development of SATORP's Amiral Complex and Saudi Aramco's water treatment plant in the water sector. Riyadh followed with 8 percent of the Q2 total. Projects in Riyadh included several real estate and water projects. Makkah was the fourth largest source of contracts and constituted 5 percent of the total, including a major water project (Rabigh 4 IWP) along with several residential real estate projects.



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

Albara'a Alwazir

Director, Economic Research | alalwazir@ussaudi.org



Highlights

1. The total value of awarded contracts remained strong during the second quarter, reaching SAR60 billion (\$16 billion), marking a 23 percent jump compared to last year. The total value reached SAR126 billion (\$33.6 billion) through the first half of 2023.
2. The USSBC Contract Awards Index settled at 279.51 points as the sector witnesses continued momentum, which has elevated the CAI above the 200-point mark for nine consecutive months.
3. The transportation sector registered the highest value of awarded contracts and reached approximately SAR16.7 billion (\$4.5 billion).
4. The real estate sector accumulated the second highest value of awarded contracts with approximately SAR15 billion (\$4.1 billion).
5. The petrochemicals sector surged to reach the third highest value with approximately SAR11 billion (\$3 billion) worth of awards.

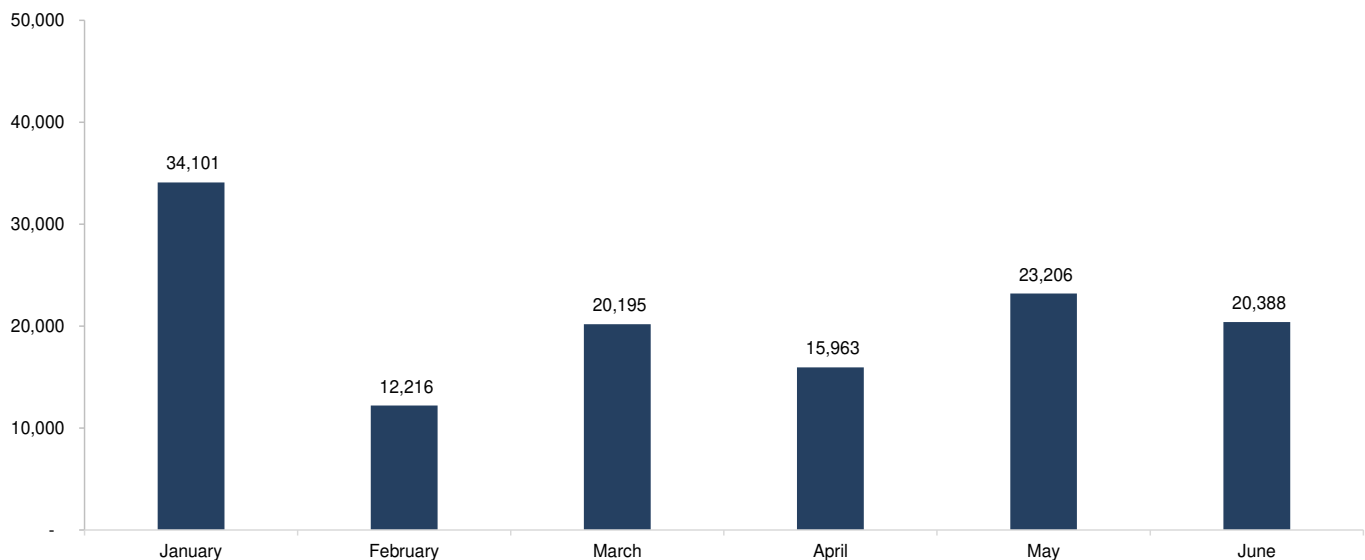
Key Takeaway:



The emphasis on non-oil sector growth, augmented by FDI, private sector involvement, and governmental support, is projected to continue driving the economy forward. This diversification strategy not only mitigates oil-dependency risks but also fosters an innovation-driven economy capable of withstanding global economic fluctuations.



Value of Awarded Contracts During Q2 2023 (SAR Millions)



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

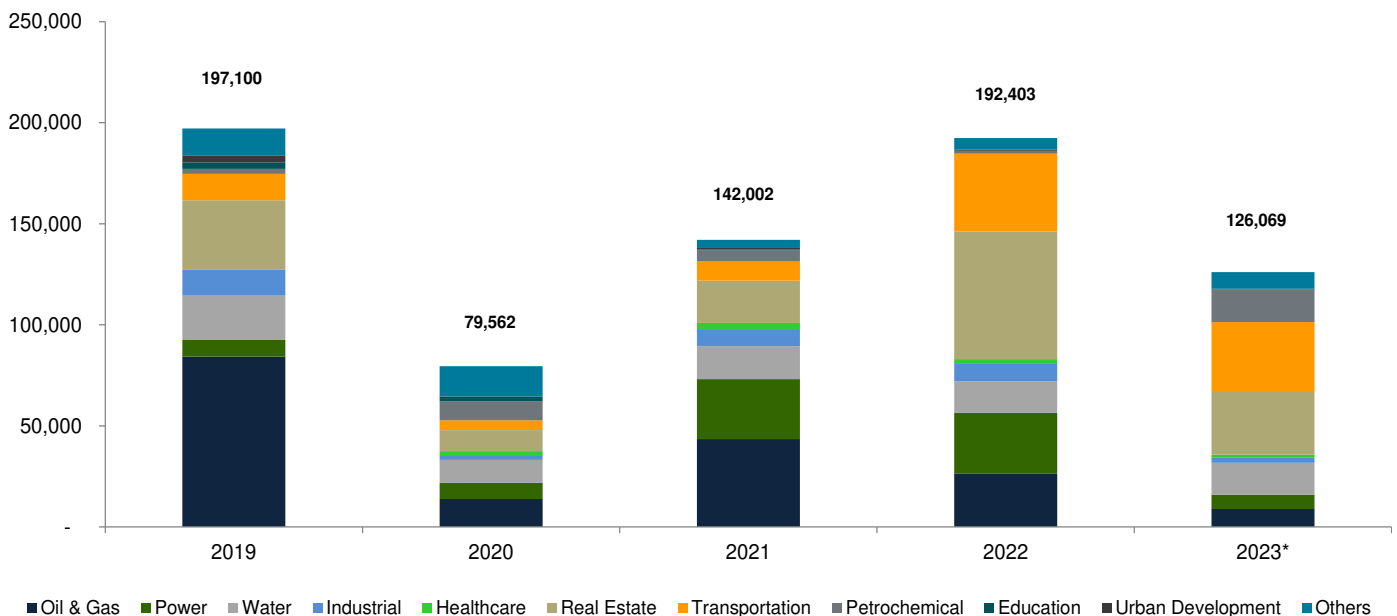


Overview of Awarded Contracts During Q2 2023

The total value of awarded contracts remains on track for a strong year as it reached SAR60 billion (\$16 billion) during Q2'23 given the implementation of large scale mega-projects that is propelling the Kingdom's construction sector and the wider economy. The value of awarded contracts grew by 23 percent YoY but declined by 10 percent QoQ. Through the first two quarters, the value of awarded contracts surged to SAR126 billion (\$33.6 billion), marking a 32 percent jump compared to H1'22. The Kingdom is in the midst of an economic expansion despite its GDP growing by 1.2 percent YoY during Q2'23. The oil sector contributed to the slowdown in total GDP as it declined by 3.8 percent YoY while non-oil sector GDP witnessed a 5.3 percent jump. Construction sector GDP contributed a 2.4 percent increase YoY. Furthermore, gross fixed capital formation (GFCF) grew by 3.4 percent YoY, with the private sector witnessing a four percent jump.

The SAR60 billion (\$16 billion) in awarded contracts were led by the real estate, transportation, and petrochemicals sectors, as they accounted for 72 percent of the total. The transportation sector accounted for 28 percent of the total as the pickup in infrastructure developments at NEOM continue. Other sizeable contributors included the water, oil & gas, and power sectors.

Value of Awarded Contracts by Year (SAR Millions)



*Through Q2'23

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

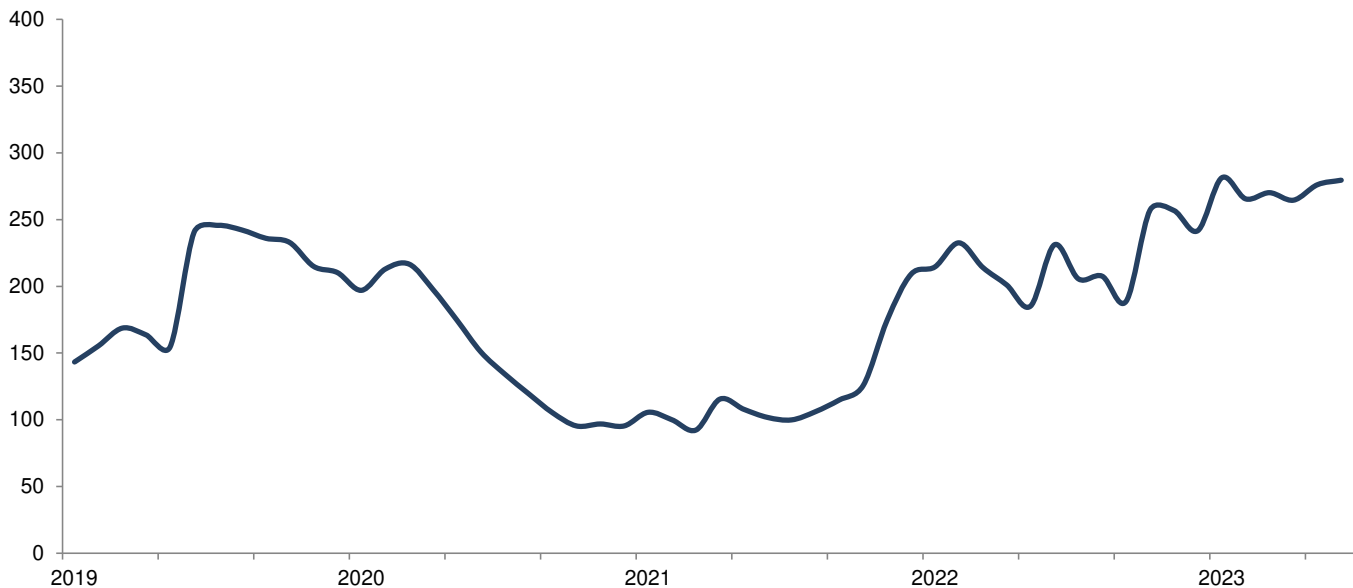


USSBC's Contract Awards Index Performance Through Q2 2023*

The USSBC Contract Awards Index (CAI) continued to maintain a high level as it reached 279.51 points by the end of the second quarter. The CAI has remained above 200 points over the last three quarters and last dipped below this level during the third quarter of 2022. According to the CAI, the construction sector has been in an expansion phase since Q2'21 when it surpassed the 100-point threshold as projects were accelerated to meet deadlines. The CAI grew by 48.40 points or 21 percent YoY and increased by 3.43 points or 1 percent QoQ. On a monthly basis during Q2'23 the CAI reached 264.53 points in April, 276.08 points in May, and 279.51 points in June.

The CAI's performance during H1'23 is the strongest showing since the same period in 2015, as it has averaged 272.85 points compared to 326.67 points. The post pandemic jump in the CAI reflects the Kingdom's urgency to accelerate its giga-projects while prioritizing strategic deliverables ahead of 2030. Moreover, the CAI's ascension indicates projects under the execution phase will dramatically increase and continue to grow in the coming years.

USSBC Contract Awards Index Performance



Source: BNC, 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.



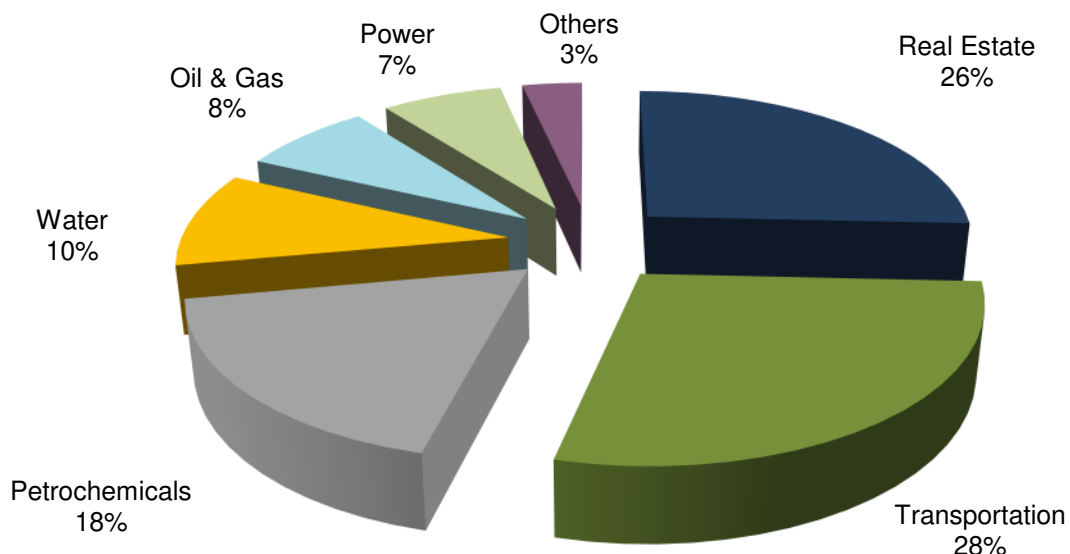
Overview of Awarded Contracts By Sector During Q2 2023

The transportation sector maintained its lead in awarded contracts during Q2'23 as it reached SAR16.7 billion (\$4.5 billion) or 28 percent of the total. A number of large mega-projects were awarded pertaining to infrastructure developments at NEOM. The sector was also supported by contract awards from the Ministry of Transport's road network development across the Kingdom and the Saudi Ports Authority's (Mawani) development of King Fahad Industrial Port in Yanbu.

The real estate sector's awarded contracts maintained its momentum as it reached SAR15 billion (\$4.1 billion) or 26 percent of the total. This follows a strong 2022 for the sector when it attracted SAR63 billion (\$17 billion) in contract awards. The breakdown of the real estate sector revealed that residential real estate attracted SAR12.7 billion (\$3.4 billion) or 83 percent of all real estate projects. Hospitality registered the second highest with SAR1.4 billion (\$383 million) or 9 percent, while commercial and mixed-use real estate garnered SAR1.1 billion (\$296 million) or 7 percent and SAR100 million (\$26 million) or 1 percent, respectively.

The petrochemicals sector registered the third highest value of awarded contracts with SAR11 billion (\$3 billion) or 20 percent of the total. The value of contracts for the petrochemicals sector marked the highest quarterly awards in 11 years, when it reached SAR34 billion (\$9.1 billion) during Q2'12. The Saudi Aramco and Total Energies JV (SATORP) was responsible for the awarded contracts. SATORP is executing works at the Amiral Complex in the Eastern Province. Commercial operation for the Amiral Complex is expected to begin in 2027.

Value of Awarded Contracts by Sector During Q2 2023





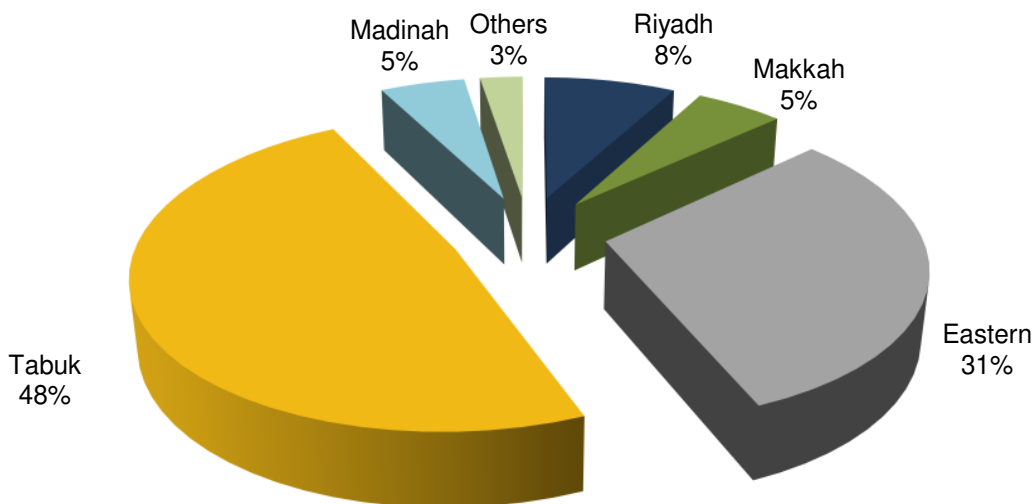
Overview of Awarded Contracts By Region During Q2 2023

Tabuk accounted for the highest share of awarded contracts during Q2'23 with SAR29 billion (\$7.7 billion) or 48 percent of the total. The transportation sector attracted the highest share with SAR14.7 billion (\$3.9 billion) or 51 percent of the total. The real estate sector accounted for the second highest share with SAR11.3 billion (\$3 billion) or 39 percent of Tabuk's total. The power sector witnessed SAR2.3 billion (\$617 million) or 10 percent of the total. Through H1'23 Tabuk has attracted SAR31 billion (\$8.3 billion) worth of awarded contracts, accounting for 29 percent of the total.

The Eastern Province tallied the second highest value of awarded contracts with SAR18.2 billion (\$4.9 billion) or 31 percent of the total. The petrochemicals sector dominated with SAR11 billion (\$2.9 billion) or 60 percent of the total. The oil & gas sector accounted for SAR4.5 billion (\$1.2 billion) or 25 percent of the total. The water sector garnered SAR1.3 billion (\$344 million) or 7 percent of the total. Through H1'23 the Eastern Province led with SAR44 billion (\$11.7 billion) worth of awarded contracts, accounting for 35 percent of the total.

The Riyadh region captured the third highest value of awarded contracts with SAR4.8 billion (\$1.3 billion) or 9 percent of the total. The water sector accumulated the highest tally with SAR2 billion (\$542 million) or 43 percent of the total. The real estate sector reached SAR1.4 billion (\$370 million) or 29 percent of the total. The power sector reached SAR1.3 billion (\$350 million) or 28 percent of awarded contracts. Through H1'23 the Riyadh region garnered SAR20.5 billion (\$5.5 billion) worth of awarded contracts, accounting for 16 percent of the total.

Value of Awarded Contracts by Region During Q2 2023





Breakdown of Awarded Contracts Across Top Performing Sectors

Transportation

The transportation sector's six contracts during Q2'23 elevated its share of awarded contracts to SAR16.7 billion (\$4.5 billion), as NEOM continues to award numerous contracts. The transportation sector declined by SAR5.6 billion (\$1.5 billion) or 25 percent YoY during Q2'23 and by SAR1.1 billion (\$295 million) or 6 percent QoQ. Through H1'23 the transportation sector has garnered the highest value of awarded contracts with SAR34.6 billion (\$9.2 billion), which is SAR5.5 billion (\$1.5 billion) or 19 percent higher YoY. It also accounts for 27 percent of the total value of contracts through H1'23.

NEOM awarded four contracts in the transportation sector during Q2'23. Two contracts in May were awarded to a JV between Italy's Webuild and the local Shihb Al Jazeera Contracting Establishment in the amount of SAR11 billion (\$2.9 billion). The first contract was awarded in the amount of SAR5.7 billion (\$1.5 billion) and includes the construction of a 57km railway line that will link to Neom Industrial City 'Oxagon'. The railway line will begin at 'The Line' and will pass through NEOM Bay, NEOM Bay Airport, before reaching the 'Oxagon.' Additional scope will include the construction of a 12km-long regional resource waste management facility, along with 14 viaducts spanning 6.25km, road bridges, seven roadways, nine rail underpasses, 152 pipes and box culverts, two high-speed and two freight railway tracks, infrastructure maintenance depots, and associated facilities. The project is expected to be completed by the second quarter of 2029.

The second contract awarded by NEOM went for SAR5.3 billion (\$1.4 billion) and calls for the construction of a depot for the NEOM Industrial City Connector within the NEOM Industrial City borders. The project will be situated at the northern terminus of the south connector line, integral to the extensive infrastructure corridor that serves Oxagon. The project is expected to be completed by the fourth quarter of 2028.

Mawani awarded a contract in June to U.A.E. companies Alba Nova International and Trafalgar Co. Ltd. to build an integrated bunker station at King Fahad Industrial Port in Yanbu. The SAR2 billion (\$532 million) contract is part of the Kingdom's strategy to raise its share in the regional bunkering market to 10 million tons through increased partnerships with major oil storage companies. The overall holding capacity for the project is expected to reach 2.5 million metric tons upon completion.

Real Estate

The real estate sector witnessed 53 contract awards during Q2'23 as it reached SAR15 billion (\$4.1 billion). Despite declining by SAR336 million (\$89.6 million) or 2 percent QoQ, the value of awarded contracts grew by SAR14.5 billion (\$3.9 billion) or 1,783 percent YoY. Residential real estate attracted



SAR12.7 billion (\$3.4 billion), increasing by SAR6.7 billion (\$1.8 billion) or 113 percent QoQ, and growing by SAR12.5 billion (\$3.3 billion) or 5,728 percent YoY. Hospitality registered the second highest with SAR1.4 billion (\$383 million), dropping SAR4.8 billion (\$1.3 billion) or 430 percent QoQ but jumping by SAR1.3 billion (\$335 million) or 683 percent YoY. Commercial real estate garnered SAR1.1 billion (\$296 million), an increase of SAR142 million (\$38 million) or 13 percent QoQ, and by SAR1.1 billion (\$296 million) or 1,111 percent. However, mixed-use real estate reached SAR100 million (\$26 million) as it fell by SAR2.4 billion (\$642 million) or 49 percent QoQ and by SAR317 million (\$85 million) or 77 percent YoY. Through H1'23 the real estate sector jumped SAR19.4 billion (\$1 billion) or 167 percent YoY.

The largest contracts in the real estate sector pertained to building a 50,000 person residential community project across five developments that will divide each into four zones in NEOM. This project encompasses six contracts worth SAR10 billion (\$2.6 billion) awarded to the local Alfancar Construction in April. Each of the four zones within a development is expected to encompass 2,500 beds. The project will cover an area of four million square meters. The residential communities are expected to be completed by the third quarter of 2027.

A sizeable contract in the amount of SAR845 million (\$225 million) was awarded by the Qiddiya Investment Company (QIC) to the Turkish and Saudi JV, Sasel Saudi LLC to develop its workforce accommodations. The project will include the construction of a 1,530 room complex that will accommodate 2,030 staff members. Additional work includes all services, amenities, and infrastructure works that will be designed and built in a fast-track approach, using offsite modular systems. The project is expected to be completed by the fourth quarter of 2024.

Petrochemicals

The petrochemicals sector surged during Q2'23 to reach SAR11 billion (\$3 billion) in awarded contracts from four deals. This marks the highest quarterly value of awarded contracts within the petrochemicals sector since Q2'12 when it reached SAR34 billion (\$9 billion). The petrochemicals sector jumped by SAR11 billion (\$3 billion) YoY during Q2'23 as there were no awards during Q2'22 and by SAR5.6 billion (\$1.5 billion) or 105 percent QoQ. Through H1'23 the petrochemicals sector has attracted the third highest value of awarded contracts with SAR16.2 billion (\$4.3 billion), which is SAR16 billion (\$4.2 billion) or an impressive 5,295 percent higher YoY. It also accounts for 13 percent of the total value of contracts through H1'23.

SATORP awarded all four contracts for the Amiral Complex during Q2'23, with one of the largest projects awarded to the Chinese Sinopec Engineering Group in the amount of SAR3.1 billion (\$820 million). The scope of work will include the construction of tank farm pipelines and the integration of the value park and SATORP refinery in Jubail. The refinery will produce 1.65 million tons of ethylene per year and will include



two polyethylene lines with capacities of half a million tons each per year. The project is expected to be completed by the second quarter of 2027.

The second largest contract was awarded to the Italian Tecnimont Arabia Ltd. in the amount of SAR1.4 billion (\$400 million) for high density polyethylene units. The project calls for the construction of two polyethylene lines with a capacity of 500,000 tons per year as part of package three at the Amiral Complex. The project is expected to be completed by the second quarter of 2027.

The remaining two contracts total SAR309 million (\$82.4 million) and pertained to the construction of temporary facilities adjacent to the Amiral Complex. Additional work will also involve site preparation near the Amiral Complex.

Contract Awards Outlook

Saudi Arabia is in the midst of a transformative economic shift, propelled by a strategic agenda aimed at diversifying the economy and fostering a robust, multi-sectoral growth trajectory. The Kingdom's economic landscape is witnessing a pivotal transition, marked by significant milestones and key indicators pointing toward sustainable growth and increased resilience.

The sustained surge in awarded contracts, particularly in sectors like transportation, real estate, water, power and petrochemicals, underpins the Kingdom's commitment to diversifying its economic portfolio. With a focus on mega-projects, infrastructure development, and real estate ventures, Saudi Arabia is actively steering its economy towards a more sustainable and diverse economic base.

Saudi Arabia's attractiveness as an investment destination has strengthened, evidenced by a consistent influx of FDI. The government's initiatives, such as Vision 2030, coupled with regulatory reforms and conducive business environments, have bolstered investor confidence. Increasing FDI inflows signal a growing trust in the Kingdom's economic diversification efforts that is backed by sweeping regulatory enhancements to attract top industry players globally.

A notable aspect of Saudi Arabia's economic transformation lies in the increasing role of the private sector. The surge in GFCF and the private sector's four percent jump underscore a growing entrepreneurial spirit and investment appetite. The private sector's engagement across different industries signifies a collaborative effort toward economic expansion and innovation.

The Saudi government's unwavering commitment to supporting economic diversification through strategic planning, regulatory reforms, and mega-project execution remains a cornerstone. Initiatives that



emphasize project acceleration by meeting deadlines, reflect the government's dedication to expediting crucial developments. Additionally, continued investments in infrastructure, technological advancements, and human capital development underscore the commitment to sustained economic growth.

The emphasis on non-oil sector growth, augmented by FDI, private sector involvement, and governmental support, is projected to continue driving the economy forward. This diversification strategy not only mitigates oil-dependency risks but also fosters an innovation-driven economy capable of withstanding global economic fluctuations.

Looking ahead, a number of sizeable projects are expected to be awarded during the third quarter that will continue to propel the construction sector. QIC is expected to continue awarding large projects pertaining to Qiddiya Entertainment City's Formula 1 track. The real estate sector will continue to lead as a number of projects such as 'The Avenues' in Khobar and 'Sedra' residential community development in Riyadh are expected to be awarded.



Notable Contracts During Q2 2023

Sector	Region	Client	Contractor	Details	Value (SAR million)
Real Estate	Tabuk	NEOM	Alfanar Construction	Six contracts for the development of a 50,000 residential community	9,855
	Riyadh	QIC	Sasel Saudi LLC	Construction of 1,532 unit complex in Qiddiya	844
Petrochemicals	Eastern	SATORP	Sinopec	Package 5 at Amiral Complex	3,075
	Eastern	SATORP	Tecnimont Arabia Ltd.	Package 3 at Amiral Complex	1,500
Transportation	Tabuk	NEOM	WeBuild/Shibh Al Jazeera Contracting	Oxagon Connector Depot	5,250
	Tabuk	NEOM	WeBuild/Shibh Al Jazeera Contracting	Oxagon Connector South Railway Line	5,700
	Madinah	Mawani	Alba Nova International/ Trafalgar Co. Ltd.	Build integrated bunker station at King Fahad Industrial Port	1,995
Water	Makkah	SWPC	SEPCO III	Construction of Rabigh 4 IWP	2,539
	Riyadh	NWC	Alkhorayef Water & Power Technologies	Package 3 of sewage treatment plant in Riyadh	1,613
	Eastern	Saudi Aramco	WeBuild	Construction of water treatment plant for Zuluf oil facilities	1,226
Power	Tabuk	SEC	Larsen & Toubro	Construction of overhead power emission lines	2,194
Oil & Gas	Eastern	Saudi Aramco	Saipem Co. Ltd.	Construct five offshore platforms and associated pipelines	3,563

Source: BNC, 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.

This report may not contain all material terms, data or information and itself should not form the basis of any investment decision and no reliance may be placed for any purposes whatever on the information, data, analyses or opinions contained herein. You are advised to consult, and make your own determination, with your own independent legal, professional, accounting, investment, tax and other professional advisors prior to making any decision hereon.

This report may not be reproduced, distributed, transmitted, published or further distributed to any person, directly or indirectly, in whole or in part, by any medium or in any form, digital or otherwise, for any purpose or under any circumstances, by any person for any purpose without the U.S.-Saudi Business Council's prior written consent.