

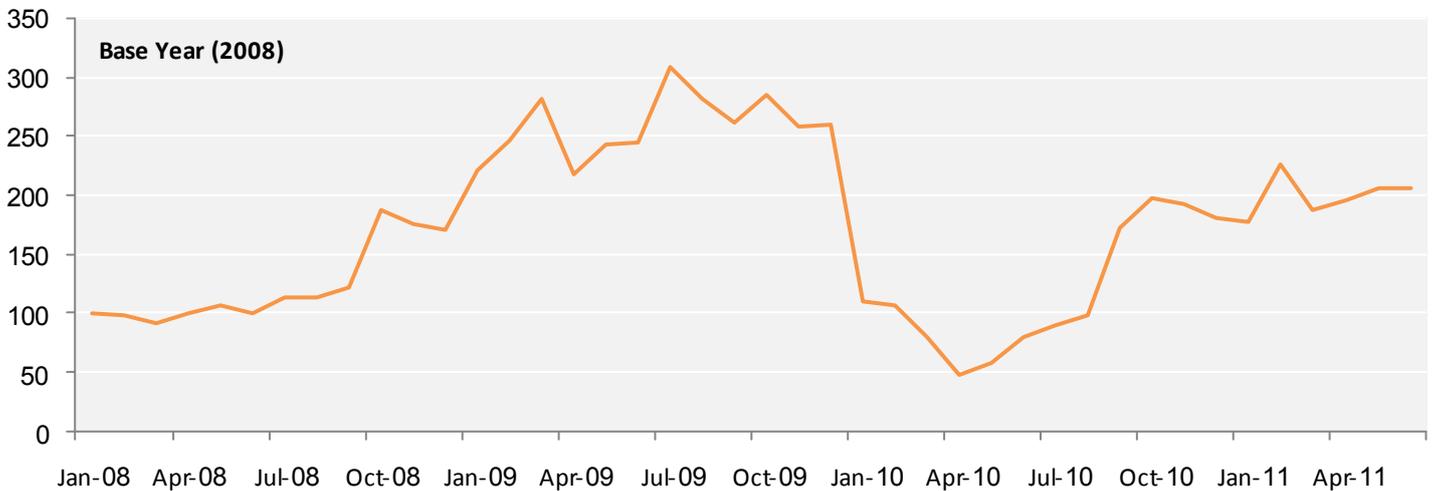
# NCB Construction Contracts Index Second Quarter 2011

NCB Quarterly Review of Contract Awards in The Construction Sector

## HEADLINES

1. NCB Construction Contracts Index reached 205.3 points by the end of the second quarter of 2011, while the total value of awarded contracts reached SAR34.5 billion to bring awarded contracts through the first half of 2011 to SAR84.2 billion
2. April's contract awards were valued at approximately SAR16.4 billion, led by the power and residential real estate sectors
3. May's total value of contract awards fell to approximately SAR9.3 billion, led by the roads and petrochemical sectors
4. June's contract awards further dipped, with the total value of contract awards reaching approximately SAR8.8 billion led by the residential real estate and urban development sectors

## NCB Construction Contracts Index



Source: MEED, SES, NCB

## Value of Contracts

Trailing Twelve Months (2010-2011)	Jul (2010)	Aug	Sep	Oct	Nov	Dec	Jan (2011)	Feb	Mar	Apr	May	Jun
Contract Awards Value (SR Millions)	8,486	6,236	31,972	13,287	5,158	8,731	7,082	26,222	16,417	16,375	9,300	8,779

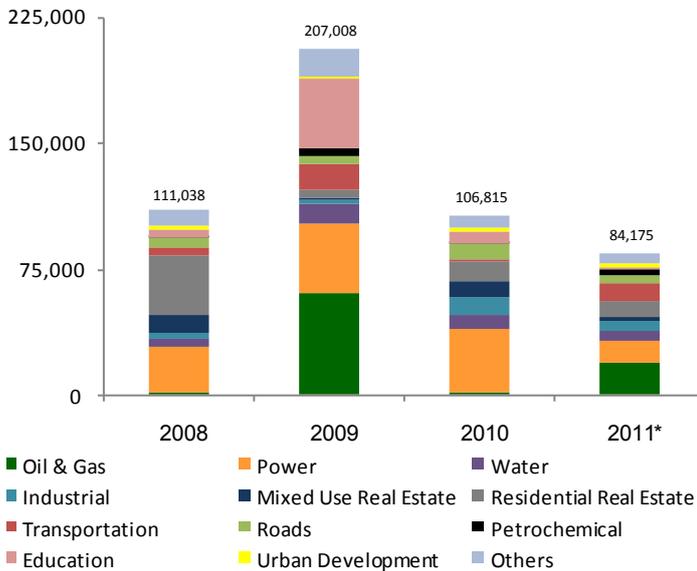
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## Construction Contracts Award Index During Q2 2011\*

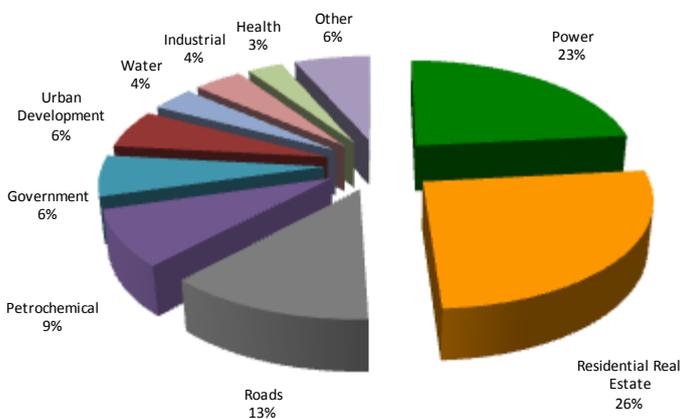
The remarkable value of awarded contracts during the first quarter continued into the second quarter as SAR34.5 billion in contracts were awarded. The value of awarded contracts reached SAR84.2 billion by the end of the first half of the year, indicating that 2010's total value of awarded contracts is likely to be surpassed this year. The government's focus to fulfill its citizen's demands for improved infrastructure capabilities played a significant role as more than 31% of the value of awarded contracts during the second quarter were directed towards infrastructure related sectors. However, the residential real estate and power sectors garnered the highest percentage of the value of awarded contracts, accounting for 26% and 23%, respectively, (Chart 1), (Chart 2).

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



\* H1'11  
Source: MEED, SES, NCB

Chart 2: Value of Awarded Contracts by Sector During Q2'11

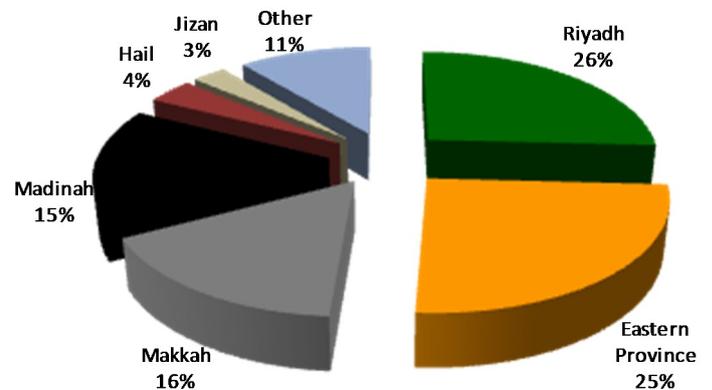


Source: MEED, SES, NCB

Although the total value of awarded contracts fell compared to last quarter, the value at which the contracts are being awarded is staggering. The SAR34.5 billion in awarded contracts during Q2'11 represents a 43% increase compared to Q2'10 where the value was SAR24.2 billion. Furthermore, the SAR84.2 billion in awarded contracts during H1'11 represents a 156% increase compared to H1'10 where the value was SAR33 billion. The Construction Contracts Index (CCI) jumped to 205.3 points at the end of H1'11, which is a stark contrast to H1'10's CCI of 80.36 points. This reflects the robustness of the construction industry over the past six months in particular as the initiatives from the annual budget and King Abdullah's royal decrees are currently being implemented.

In terms of geographical break-up, Riyadh accounted for the highest portion of awarded contracts by value with a 26% share. This was largely due to a significant residential real estate contract which will cover an area of four million square kilometers. The Eastern Province had 25% of the value of awarded contracts as a considerable portion of industrial, water and urban development contracts were awarded. The Makkah and Madinah regions accounted for 16% and 15%, respectively. The main contract awards in those regions were residential real estate projects in Jeddah and a power contract in Yanbu, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q2'11



Source: MEED, SES, NCB

### April

Approximately SAR16.4 billion was awarded in April, with the power and residential real estate sectors accounting for 40% and 37%, respectively. A residential real estate contract was awarded in the amount of SAR6 billion by Thabat (joint partnership between Al Oula Real Estate Development Company and Talaat Moustafa Group Holding) to Saudi Constructioners Establishment. The plan calls for the development of "Nasamat Al-Riyadh", a mixed-use residential development on four million square meters of land in Riyadh. The development will include villas, apartments, commercial areas and a mall. The project will be divided into three phases and is expected to be completed by the first quarter of 2017.

The power sector had a significant contract that was

awarded by Power & Water Utilities Company for Jubail & Yanbu (Marafiq) to Hanwha Engineering & Construction Corporation. The SAR3.9 billion contract is for the construction of an interim power producing 850 megawatts (MW) and a desalination plant producing 60,000 cubic meters per day in Yanbu. The project is expected to be completed by the first quarter of 2014. The Public Investment Fund (PIF) is expected to provide the majority of the financing needed for the project.

A second sizable contract in the power sector was awarded by Saudi Electricity Company (SEC) to Al Fanar Construction for the construction of the High Speed Haramain Railway 380kV substations project. The SAR1.1 billion project is expected to be completed by April 2013.

The Healthcare sector had a contract awarded by King Faisal Specialist Hospital in Riyadh to a national contracting firm in the amount of SAR906 million. The contract calls for the construction of the King Abdullah Center for Tumors and Liver Diseases at King Faisal Specialist Hospital. The project is expected to be completed within 30 months.

### May

The value of awarded contracts fell to SAR9.3 billion in May. Roads and petrochemicals led all sectors in awarded contracts as the roads sector had more than SAR3 billion in awarded contracts while the petrochemical sector had a SAR2.8 billion contract award. The Ministry of Transportation signed numerous contracts with national firms to enhance the road networks within the Kingdom. The majority of the contracts across the Kingdom called for the extension of existing highways, tunnel implementation and the improvement of existing roads. The total amount of awarded contracts in the roads sector during H1'11 reached SAR5.5 billion. Improvements in road networks was a key initiative in the 2011 budget as the value of the awards have increased by SAR1.5 billion compared to H1'10.

The largest contract in the petrochemical sector was awarded by a joint venture between Saudi Arabian Mining Company (Maaden) and Sahara Petrochemicals Company to South Korea's Daelim in the amount of SAR2.8 billion. Daelim will perform the engineering, procurement and construction (EPC) for the petrochemical plant that will have a production capacity of 250,000 tons of caustic soda and 300,000 tons of ethylene dichloride per year. The project will be financed through private banks and the state-run Saudi Industrial Development Fund (SIDF). The project is expected to be completed by the fourth quarter of 2012.

Within the industrial sector, a contract was awarded by Maaden to McConnell Dowell Corporation Limited for carrying out the mechanical installation of two pot lines with a total of 740 pots at the Ras Al-Zour aluminum smelter. The value of the awarded contract was SAR938 million and is expected to be completed by the second quarter of 2013.

The Saudi Electricity Company (SEC) awarded a contract in the power sector to National Contracting Company (NCC) in

the amount of SAR443 million. NCC will construct an overhead transmission line of 380 kV from Jizan to Najran. The project is part of SECs goal to improve the electricity transmission and distribution network in the Kingdom. The project is expected to be completed by the fourth quarter of 2013.

### June

The value of awarded contracts further slipped in June, reaching SAR8.8 billion. The residential real estate sector had SAR2.8 billion worth of awarded contracts while the urban development sector had SAR1.4 billion. Ewaan Al Farida Company, a joint partnership between Ewaan Global Residential Company and Islamic Development Bank (IDB) awarded a contract to Arjab Development Establishment in the amount of SAR1.4 billion. The details include the development and management of "Ewaan Al Farida Project" on the north side of Jeddah. The project will cover an area of 2 million square meters with a construction of 2,500 housing units catered to middle income families. The development will also include mosques, healthcare facilities, a shopping mall, educational facilities, sports club and diverse facilities. The project is expected to be completed by the fourth quarter of 2012.

A second contract in the residential real estate sector was awarded by Alargan Homes Company to Alargan National General Trading & Contracting Company to construct a residential master planned community called "Al Sohoul Community" in Jubail that will cover an approximate total area of 1 million square meters and will house approximately 10,000 people. The SAR619 million project is expected to be completed by the first quarter of 2016.

Within the urban development sector, the contract for the construction and development the Al-Marina project stretching 4 kilometers between the cities of Khobar and Dammam was awarded by Injaz Development Company to Al Rajhi Construction, LLC. The SAR1.1 billion contract award covers the infrastructure works, which will include landscaping, waterfronts, sidewalks, garbage disposal and sewage systems, schools, mosques, playgrounds, and other facilities. The project will be completed in three phases with an expected final completion time by the third quarter of 2015.

A sizeable contract was awarded by the Ministry of Justice to Asaad Said for Contracting Limited in the amount of SAR1.2 billion. The Ministry of Justice is expecting the construction of 32 court complexes across the Kingdom to upgrade and enhance its judicial services. The project is expected to be completed by the second quarter of 2013.

The telecommunications sector had a contract that was awarded by Etihad Etisalat Company (Mobily) to four international firms for the installation of fiber optics networks (FTTX) in Riyadh, Jeddah, Dammam and Khobar. The SAR 400 million contract is the first phase of the project that is expected to cover 4,000 kilometers and serve more than 70,000 households.

## Outlook

The rate at which contracts have been awarded during H1'11 has brought numerous opportunities for both, large and SMEs players. The demand for improved services in infrastructure, power, and real estate sectors were the main drivers of high value contract awards. This frenzied pace is expected to continue through H2'11 as there are numerous high value projects that are in the bidding phases and are expected to be awarded in Q3'11. One such bid that is expected to be awarded is phase 2 of the Haramain high-speed railway project at an estimated value of SAR30 billion. Additionally, King Abdullah's royal decree regarding the 500,000 housing units to be constructed is expected to commence during H2'11. With oil projected to average at USD95/ barrel in 2011, the surplus in state revenues will increase capital expenditures in construction in the medium-term.

## Selected Awarded Contracts During the Second Quarter of 2011:

Sector	Contractor	Client	Details	Value (millions)
Residential Real Estate	Saudi Construction Establishment	Thabat	Construction of 'Nasamat Al-Riyadh' residential development	6,000
	Arjab Development Establishment	Ewaan Al Farida Company	Develop & manage Ewaan Al Farida project in Jeddah	1,399
Power	Hanwha Engineering & Construction Corporation	Saudi Electricity Company	Construct an interim power plant (850 MW) & desalination plant(60k m3/d)	3,938
	Al Fanar Construction Company	Saudi Electricity Company	Construction of 380 kV substation along the Haramain railway	1,073
Petrochemical	Daelim	Sahara Petrochemicals Co. & Maaden	Build a caustic soda and ethylene dichloride plant	2,813
Government	Asaad Said for Contracting Co. Ltd.	Ministry of Justice	Construction of 32 court complexes across the Kingdom	1,223
Urban Development	Al Rajhi Construction LLC	Injaz Development Company	Development of 'Al Marina' along coastline between Khobar and Dammam	1,125

Source: MEED, SES, 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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