

NCB Construction Contracts Index

First Quarter 2015

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. NCB Construction Contracts Index increased to 290.78 points by the end of the first quarter of 2015, while the total value of awarded contracts amounted to SAR57.3 billion, recording a 7% decrease from the fourth quarter of 2014.
2. January's contract awards were valued at SAR30.4 billion, led by the healthcare and education sectors.
3. February's value of contract awards dropped to approximately SAR22 billion, led by the oil & gas and residential real estate sectors.
4. March's value of contract awards slipped sharply to approximately SAR4.9 billion, led by the industrial and commercial real estate sectors.

NCB Construction Contracts Index



Source: Various sources, NCB

Value of Contracts

Trailing Twelve Months (2014-2015)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan (2015)	Feb	Mar
Contract Awards Value (SAR Millions)	19,577	44,102	21,254	20,880	4,333	9,036	45,447	9,357	7,080	30,364	22,058	4,906
CCI Value	218.95	297.66	304.04	302.39	286.60	290.70	353.38	268.63	234.48	275.62	300.85	290.78

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Construction Contracts Award Index During Q1 2015*

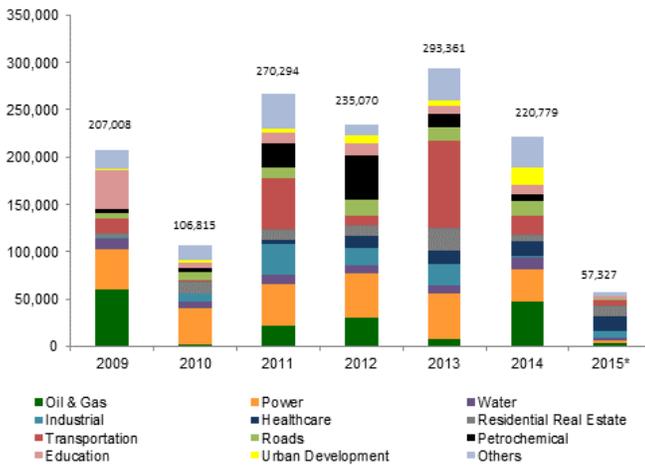
The value of awarded contracts maintained its momentum recaptured in the fourth quarter of 2014 to reach SAR57.3 billion in first quarter of 2015, recording a marginal decrease of 7% from the previous quarter. The main contributing sector was health care, accounting for 26% of awarded contracts at (SAR15.0 billion), followed by residential real estate (SAR12.0 billion) and industrial (SAR6.0 billion). The value of awarded contracts in January jumped to SR30.4 billion, which had the highest monthly value of awarded contracts during Q1'15. The Riyadh region amounted for the largest share of the value of awarded contracts, which is largely attributed to the new military medical city. It is followed in terms of share of the value of awarded contracts, but with a wide margin, by the Jizan region, and then Eastern Province, (Chart 1), (Chart 2).

SAR57.3 billion in awarded contracts during Q1 2015 reflects the continued strength of the construction industry and also shows that the Kingdom can afford to keep spending close to its recent past levels, even at lower oil prices. Following the pattern of 2014, the physical and social infrastructure related projects continued their growth in Q1 2015, with fewer of industrial mega projects. The government has signaled little intention of implementing cuts in capital projects, as the announced 2015's budget reflected the desire to sustain its capital expenditure, especially social infrastructure, despite the expected significant reduction in oil revenues. The education and health care are the two major beneficiaries and together they account for 44% of 2015's spending plan.

The Construction Contracts Index increased to 290.78 points by the end of the first quarter of 2015, from 234.48 points recorded at the end of 2014, yet still below the year end peak of 2013's 465.03 points. The CCI exhibited volatile swings during 2014, then reversed direction in the 1Q15. The February's awarded contracts value resulted in the CCI rising by 17% to 300.85 points, reaching its highest level during Q1'15, and then settling at 290.78 points in March. This continued strong reading of CCI confirms the growing volume of projects that will be under implementation.

The Riyadh region captured 33% of the total value of awarded contracts during Q1'15. The largest share in the Riyadh's projects was attributed to the medical city contract being awarded by the Ministry of Defense in the healthcare sector. The Jizan region witnessed two large contracts being awarded in the residential real estate sector, two sugar refinery projects in the industrial sector, and one large contract in the transportation sector. As for the Eastern Province, two large contracts were awarded by Saudi Aramco in the oil and gas sector, and for the Makkah region, a major contract was awarded in the residential sector, (Chart 3).

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

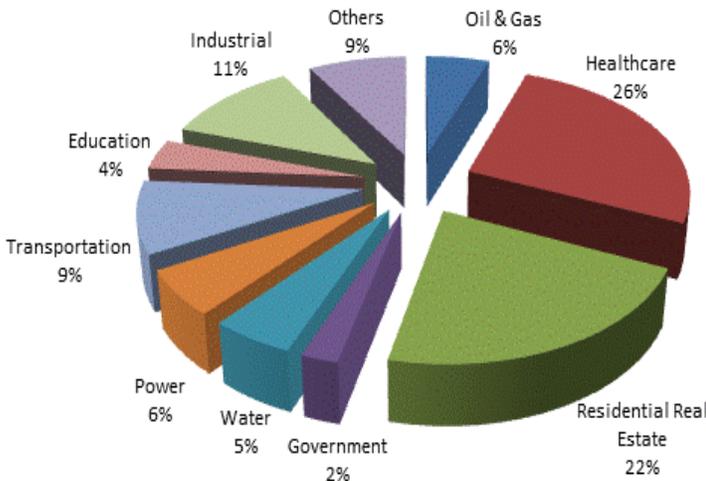


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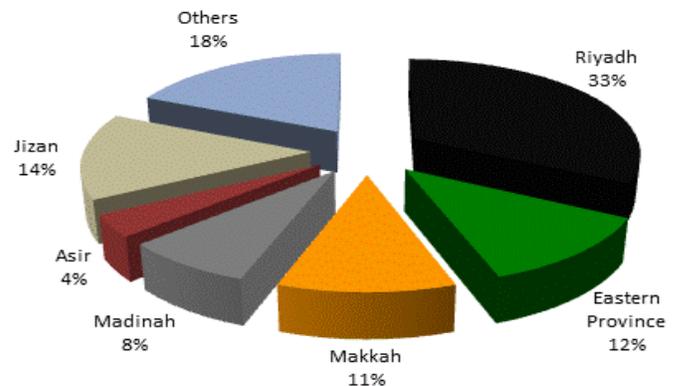
Source: Various sources, NCB

Chart 2: Value of Awarded Contracts by Sector During Q1'15



Source: Various sources, NCB

Chart 3: Value of Awarded Contracts by Region During Q1'15



Source: Various sources, NCB

January

The value of awarded contracts showed an increase in January, reaching SAR30.36 billion. The healthcare, transportation, water and oil & gas sectors were the largest contributors. Three major contracts were awarded in the healthcare sector. The largest contract amounting to SAR14.25 billion was awarded by the Ministry of Defense to Saudi Bin Laden Group. This contract called for the construction of phase 1 of the Military Medical City in Riyadh, including: hospital buildings (1500 beds), warehouses, administrative buildings and associated facilities, and expected to be completed by the fourth quarter of 2029. The second and third contracts worth SAR367.5 million, and 262.5 million were awarded by the Ministry of Health to Almajal Alarabi Holding for the construction of two 500 beds mental health hospitals in Taif and Jeddah, respectively. The two projects are expected to be completed by the first quarter of 2018.

Within the transportation sector, three major contracts were awarded. The largest contract in the amount of SAR1.8 billion was awarded by the General Authority of Civil Aviation (GACA) to Al Jaber Group to construct Abha regional airport in Asir province. The project will include: Terminal (5 million passengers per year capacity), 20 passenger boarding bridges, apron for planes to park, parallel corridor to accommodate 26 planes, car park buildings, control tower, mosques, and associated facilities. The second largest contract was awarded by Arriyadh Development Authority (ADA) to Spain's Indra worth SAR1.18 billion to implement the entire ticketing and access control systems for the Riyadh Metro, which is currently under construction. The project is expected to be completed by the first quarter of 2018. The third project in the amount of SAR652 million was also awarded by GACA to Almabani for the Improvement and renovation of runways in seven areas: Abha, Tabuk, Baha, Rafha, Tarif, Qysuma, Sharoura.

Within the oil & gas sectors, two contracts were awarded by Saudi Aramco in the amount of SAR1.87 billion. The largest two contracts are Khurais increment program (Mazlij-Abu Jifan pipeline) and Khurais increment program (Seawater Pipeline). The first contract was awarded to Saudi KAD Construction LLC in the amount of SAR937.5 million. The objective of this Khurais increment project is to increase production capacity at the khurais central processing facilities (CPF) by 300,000 barrels of oil per calendar day (BPCD) from its current capacity of 1,200,000 BPCD, as well as to enhance production from the Mazalij and Abu Jifan fields by installation of satellite gas oil separation plant (GOSP). The project is expected to be completed by the fourth quarter of 2018. The second largest contract was awarded to HAK Group in the amount of SAR937.5 million. The objective of this project is also to increase production capacity at

the Khurais central processing facilities, and the construction work involves seawater pipeline and associated facilities. The project is expected to be completed by the fourth quarter of 2018.

Within the water sector, three major contracts were awarded. The largest contract in the amount of SAR900 million was awarded by Saudi Arabian Mining to Al Rashid Trading & Contracting to construct a Waste Water Treatment Plant. The project, which is going to be built in Waad Al Shamal Mining City, is expected to be completed after 26 months. The second largest contract was awarded by Advanced Water Technology to Abengo worth SAR488 million to construct a 60000 cubic meters a day water desalination plant powered by solar electricity. The project is expected to be completed by the first quarter of 2017. The third project in the amount of SAR450 million was awarded by Saline Water Conversion Company (SWCC) to Acwa Power to expand the Shoaiba desalination plant (phase2). The project is expected to be completed after 23 months.

February

A lesser value of awarded contracts was recorded in February, amounting to SAR22.05 billion. In the commercial real estate sector, the Ministry of Finance awarded Dar Al Fouzan Trading and General Construction company to construct phase 2 of the hotels and administration building projects in Medina. The value of the mixed-use development contract is SAR2.7 billion. This large project includes 5 hotel buildings, 5 service apartment buildings, and a central hajj administrative building. The project is expected to be completed by the fourth quarter of 2024.

The Ministry of Higher Education awarded four contracts worth SAR394 million. The first two contracts at SAR112.5 million were awarded to Al Horaity Company for Trading & Contracting for the construction of College of Education for men at Hail University, and for the college of Education of women at Jizan University with associated facilities. The other two contracts at SAR90 million, and SAR78.7 million were awarded to Fawzi Group for the construction of College of Pharmacy for women, and College of Sharia & Islamic studies at Najran University, respectively.

In the industrial sector, two contracts were awarded. A SAR1.3 billion contract was awarded by Gasan Investment & Industrial Development Ltd to Hanwha Engineering & Construction for developing a calcined petroleum coke (CPC) plant. The project, which is expected to be completed by the

fourth quarter of 2017, will be allocated 250,000 square meters of land in Jubail. The second contract amounting to SAR1.5 billion was awarded by Gammon Group to Shree Basaveshwar Sugars Limited to build a sugar refinery in Jizan, and the project is expected to be completed by the third quarter of 2016. In the government sector, the Ministry of Interior awarded EL-Saif Engineering & Contracting to build a headquarters building for the Ministry of Interior. The SAR1.3 billion headquarters contract will include a three-storey building and other security buildings. The complex will cover a total of 252,000 square meters, and expected to be completed by the fourth quarter of 2016.

In the oil and gas sector, three major contracts were awarded. The first contract worth SAR375 million, and was awarded by Saudi Aramco Total Refining & Petrochemical co. to Sinopec Petroleum Engineering Corporation to build Jubail bulk plant: phase1. The project includes storage tanks, MTBE, Gasoline, and a storage facility inside Satorp Refinery. The project is expected to be completed by the fourth quarter of 2016. The second project was awarded by Saudi Aramco to Target Engineering. The objective of the SAR277.5 million contract is to improve liquefied petroleum drainage system at Abqaiq Refinery, and the project is expected to be completed by the first quarter of 2018. Another contract worth SAR240 million was awarded by Saudi Aramco to Target Engineering to reduce the water content of liquefied gas produced at the Shadqam and Al Othmania plants, and the project is expected to be completed by the third quarter of 2018.

In the power sector, Saudi Electricity Company (SEC) awarded two contracts, each worth SAR472.5 million. The first contract was awarded to Middle East Engineering & Development Co to install 380kv transmission network in Riyadh, and expected to be completed by the first quarter of 2017. The second contract was awarded to Hyundai E&C to install 249km of 380kV transmission line in Riyadh, and expected to be completed by the fourth quarter of 2016. Within the water sector, Saudi Arabian Mining, awarded a contract in the amount of SAR637.50 million to Abdullah A M Al Khodari & Sons for constructing 100 km pipeline for water transmission lines from well fields to storage facilities. The project is expected to be completed after 25 months.

In the residential sector, three major contracts were awarded. The first contract at SAR4.5 billion was awarded by Ministry of Interior to Al Seif Engineering Contracting to construct residential compounds in three different areas in Jizan: Al Ardah, Al Dayer and Al Tuwal. The project includes

2,420 housing units, shops, clinics, military offices, and associated utilities. The second contract worth SAR3.5 billion was awarded by Ministry of Interior to Al Seif Engineering Contracting to construct residential compounds in three different areas in Najran, including 2,100 housing units, shops, clinics, military offices, and associated utilities. These two projects are expected to be completed by the first quarter 2018. The third contract amounting to SAR1.86 billion was awarded by Raidah Investment Company to MNG holding to construct 2,556 apartment buildings, and associated facilities in Raidah-Obhur Al Janoubia Project in Jeddah.

In the transportation sector, a consortium led by the UK's Serco Group was awarded a SAR693.7 million contract by Saudi Railway Company to provide management and technical support for operations of the North-South Railway. The project is expected to be completed by 2020.

March

There was a sharp decline in the value of contracts awarded during March, reaching SAR4.9 billion. In the industrial sector, two contracts were awarded. The largest contract in the amount of SAR1.5 billion was awarded by Alreef Sugar Refinery company to Braunschweigische Maschinenbauanstalt AG (BMA). Alreef Sugar Refinery company is planning to come up with sugar refinery in Jizan. The refinery is expected to give an output of 3000 t/d sugar. The project is expected to be completed by the third quarter of 2018. The second contract worth SAR712.5 million, and was awarded by Almarai to Amana Contracting & Steel Building to build its third central processing facility in Kharj with associated facilities.

Within the transportation sector, the largest project was awarded by GACA to Zuhair Fayez Partnership to construct the Prince Nayef Bin Abdulaziz Regional Airport in Algassim. The SAR1.05 billion contract will include a terminal (1.4 million passengers per year capacity, 23,000 square meter development area), arrival hall, departure hall, private halls for women, surveillance radar building, air traffic control tower, fuel storage tank, and airport facilities: (cargo complex; mosque, power, water supply, airport roads), restaurants, shops, and car & hotel service rental.

In the residential sector, Saudi Aramco awarded a contract to Arabtec Construction worth SAR1.06 billion. This project entails the construction of 380 villas in Dahran with associated facilities. The project is expected to be completed within 28 months.

Two contracts were awarded within the agriculture sector by the Ministry of Agriculture. The first contract was awarded to local contractors for the amount of SAR207 million. The contract covers the construction of fishing ports at Qatif and AL-Zour in the Eastern province, construction of a quarantine at King Khaled International Airport in Riyadh and a rehabilita-

tion of animal and vegetable quarantine in Jeddah. The second contract that was awarded to Advanced Construction Co to build fishing ports in Amlaj and Al Horra in Tabuk province, which worth SAR93.75 million. The project is expected to be completed by the first quarter of 2018.

Within the petrochemical sector, ADDAR Group, awarded a contract in the amount of SAR131.25 million to Nuberger Engineering for constructing a Specialty Chemical Production plant in Jubail. The project is expected to be completed by the first quarter of 2017.

Outlook

A counter-cyclical strategy has been adopted for the Kingdom's 2015' spending plan, with a budget of SR860 billion aimed at sustaining the level of social infrastructure investment programs. Cushioned by the huge foreign reserves, which stood at USD736 billion at the end of 2014, the kingdom has the capacity to ensure that its planned spending is not affected. The highest year on year budget increase will come in the healthcare and social affairs, which will jump by 48% in 2015 to SAR160 billion. This increase in healthcare means capital spending will continue, as witnessed in the large value of the awarded contract of the military medical city in Riyadh. Meanwhile, the fewer awarded projects for oil and gas since second half of last year, such as the decision to put on hold the USD3.0 billion rehabilitation of Ras Tanura refinery is an indication that low oil price is forcing the Kingdom to prioritize its capital investment program. As oil prices are expected to remain low compared to previous years, Saudi Aramco will likely focus on upstream oil and gas projects, rather than to continue to invest in refinery and petrochemical schemes. Reflecting its commitment to increase gas capacity, Saudi Aramco is set to award the Fad-hili gas plant, which has been expanded to have a processing capacity of 2.5bcf/d, in the second quarter of 2015.

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.

Selected Awarded Contracts During Q1, 2015

Sector	Contractor	Client	Details	Value SAR (millions)
Oil & Gas	Saudi KAD Construction LLC	Saudi Aramco	Khurais increment program: Mazlij-Abu Jifan pipeline	937.50
	HAK Group	Saudi Aramco	Khurais increment program: Seawater pipeline	937.50
	Sinopec Petroleum Engineering Corporation	Saudi Aramco	Saudi Aramco Total Refining & Petrochemical co	375.00
Healthcare	Saudi Bin Ladin Group	Ministry of Health	Military Medical City in Riyadh: phase 1. Including	14,250
Residential Real Estate	Al Seif Engineering Contracting	Ministry of Interior	Residential compound: Jizan A	4,500
	Al Seif Engineering Contracting	Ministry of Interior	Residential compound: Jizan B	3,498.75
	MNG holding	Raidah Investment Company	Raidah-Obhur Al Janoubia Project: phase 1	1,863
	Arabtec Construction	Saudi Aramco	380 Villas in Dhahran	1,061.25
Government	Al Seif Engineering Contracting	Ministry of Interior	Headquarters building for the ministry of interior	1,312.50
Water	Al Rashid Trading & Contracting	Saudi Arabian Mining Co.	Waad Al Shamal Mining City: Waste water Treatment Plant	900
	Abdullah A M Al Khodari & Sons	Saudi Arabian Mining	Waad Al Shamal phosphate City: construction of 100 km pipeline for water transmission lines from well fields to storage facilities .	637.50
	Advanced Water Technology	Abengoa	Construct water desalination plant powered by solar electricity>	488
Industrial	shree Basaveshwar Sugars Limited	Gammon Group	Sugar Refinery.	1,500
	Amana Contracting & Steel Buildings	Almarai	Central processing plant: phase 3	1,500

Source: Various sources, NCB



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