Q1 2020: Saudi Arabia Construction and Infrastructure Survey

Infrastructure resilient to coronavirus shock

- Infrastructure workloads support overall market activity
- Expectations holding up despite some concerns over coronavirus impact
- Lingering concerns about margins remain amid increases in payment delays

Data from the Q1 2020 RICS Construction and Infrastructure Survey show that Saudi Arabia's construction market is proving resilient to the global economic shock in the wake of Covid-19. Although the outbreak of coronavirus and subsequent collapse in oil and gas prices appear to have had significant affects on other regional countries and indeed globally, respondents noted that overall workloads continued to rise in Q1.

This increase, however, was at a slightly slower pace than what was seen in Q4 of 2019, and appears to be driven by continued activity on infrastructure and residential projects. Though the pace of increase in workloads on infrastructure projects did slow from Q4 in net balance terms.

Although much surrounding the coronavirus outbreak remains uncertain, the market is expected to rebound. As shown in the chart, overall workloads are still expected to increase over the next twelve months. Though perhaps unsurprisingly given the broader macro backdrop, the increase in net balance terms is more modest than what was expected in the Q4 survey.

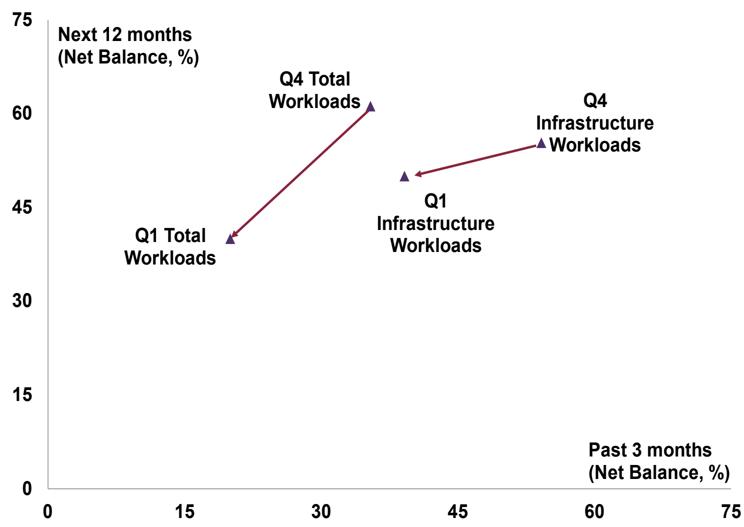
Infrastructure workloads are expected to be more resilient. Although growth in infrastructure workloads slowed in Q1 (in net balance terms), expectations surrounding infrastructure workloads did not change significantly. This is even as the outcome of an oil production dispute remains uncertain, and the government may find its balance sheet tested more than what had been expected at the beginning of 2020.

In line with the broader optimistic narrative, companies were seen to continue expanding headcount in Q1. In net balance terms, companies hired at the quickest pace since Q2 of 2019. Furthermore, headcount is also expected to increase over the next year.

There is more uncertainty around the financial position of construction firms. Delayed payments were seen to have increased, and contributors noted a deterioration in profit margins. A majority (68%) of survey participants highlighted financial constraints as holding back activity, as they have every quarter since the survey's inception in Q3 of 2018. This does not appear likely to ease over the next twelve months as margins are expected to be little changed.

Apart from financial constraints, 60% of respondents highlighted skills shortages. This seemed to predominantly apply to a lack of skilled tradespeople.

Workloads and Expectations



Comments from Survey Participants in Saudi Arabia

"The current situation of the pandemic will have a great negative impact on the construction industry."

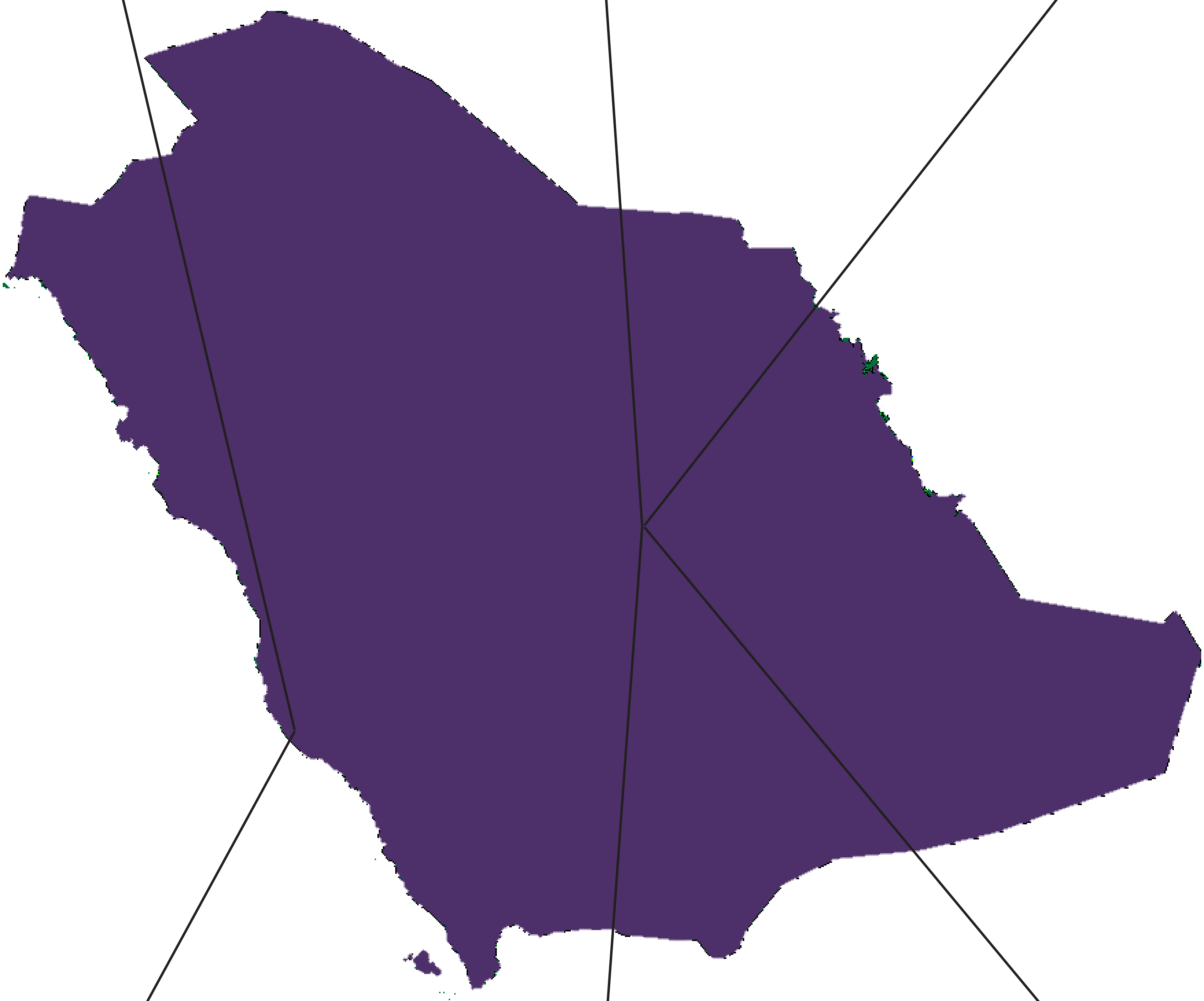
- Jeddah

"Coronavirus negatively impacts the recruitment process and imported materials procurement."

- Riyadh

"Coronavirus could impact heavily on skills, imports and financing. The effect remains to be seen."

- Riyadh



"Covid-19 is now the issue and nothing is clear for the future."

- Jeddah

"Covid-19 is causing a shortage of labour and materials."

- Riyadh

"Coronavirus is highly likely to stall projects for a period."

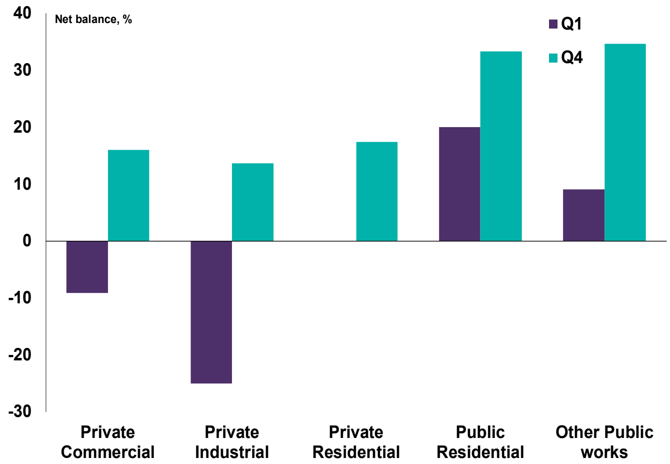
- Riyadh

Regional Charts - Riyadh

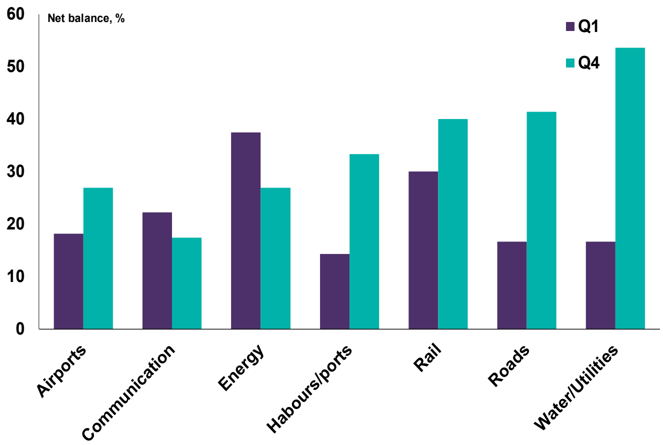
Construction market activity was mixed in Riyadh in Q1. Survey respondents noted a pullback in workloads on private projects. However, it appears that the public sector has, to a degree, compensated for some of the slack in the market as work on public residential projects and all segments of the infrastructure market was seen to have increased, albeit at a slower pace than in Q4.

The pipeline of new activity is indicative of some uncertainty surrounding the global outbreak of coronavirus, as respondents noted little change in new workloads. Increases in payment delays also appeared to put pressure on firms margins, which may have added to financial constraints suppressing activity. However, the outlook remains optimistic with hiring expected to continue to increase alongside workloads for the next twelve months.

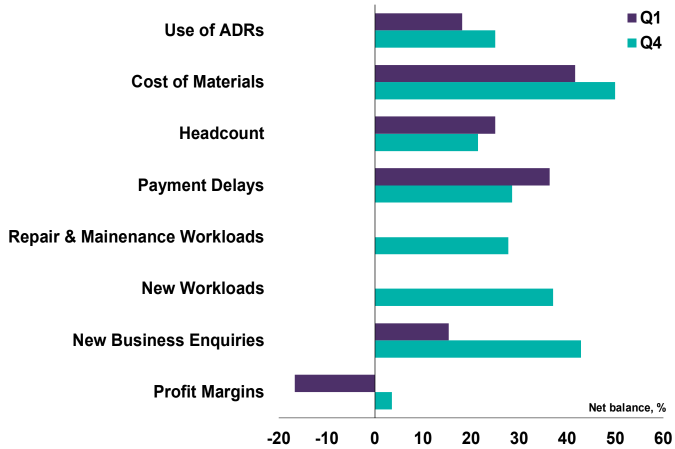
Workloads



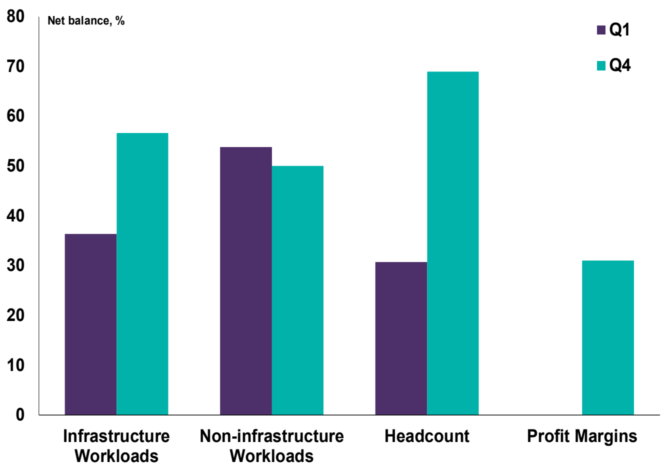
Infrastructure Workloads



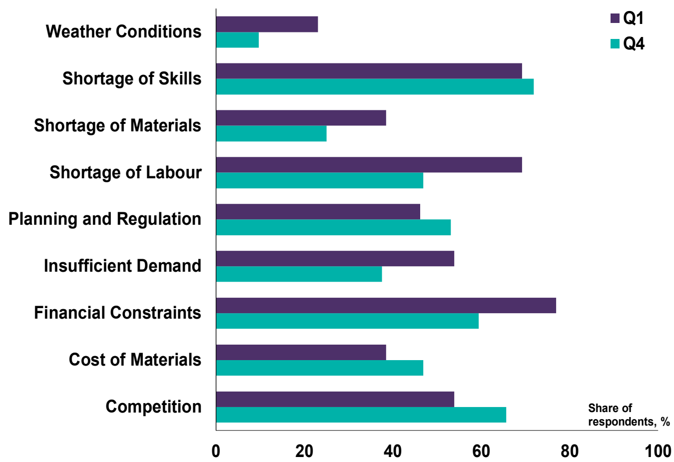
Current Conditions



12-month Expectations



Factors Holding Back Activity



RICS Consensus Tender Prices & Construction Costs (Next 12 months)

	Tender Prices		Construction Costs		
	Building	**Civil Engineering**	**Commercial**	**Residential**	**Total**
North America	**+2.1%**	**+1.8%**	**+1.7%**	**+1.4%**	**+1.9%**
Canada	**+2.0%**	**+1.7%**	**+1.6%**	**+1.3%**	**+1.9%**
British Columbia	+0.5%	+0.6%	+0.4%	+0.5%	+1.2%
Ontario	+3.4%	+3.1%	+3.2%	+3.1%	+3.2%
Praries & Territories	-1.0%	-1.2%	-1.0%	-1.1%	-0.3%
USA	**+2.4%**	**+2.0%**	**+2.4%**	**+1.7%**	**+1.8%**
Northeast	+2.3%	+0.2%	-0.6%	-0.5%	+0.7%
South	+4.1%	+4.4%	+3.4%	+1.6%	+4.1%
West	+1.2%	+1.3%	+3.1%	+2.9%	+0.8%
Asia Pacific	**+1.2%**	**+1.6%**	**+2.1%**	**+1.9%**	**+2.3%**
Australasia	**+0.8%**	**+2.1%**	**+1.8%**	**+1.4%**	**+2.1%**
Australia	**+0.9%**	**+2.5%**	**+2.0%**	**+1.2%**	**+1.8%**
New South Wales	+0.1%	+2.2%	+0.7%	+0.1%	+0.6%
Queensland	+2.6%	+4.9%	+4.2%	+3.1%	+3.5%
Victoria	+0.8%	+1.1%	+2.3%	+1.8%	+2.5%
Western Australia	+0.8%	+1.7%	+1.4%	+0.7%	+1.5%
New Zealand	**+0.8%**	**+1.8%**	**+1.8%**	**+1.8%**	**+2.4%**
North Island	+1.1%	+2.3%	+2.2%	+2.6%	+2.9%
South Island	-0.7%	-0.3%	+0.3%	-1.0%	+0.8%
East Asia	**-0.1%**	**+0.1%**	**+1.0%**	**+0.8%**	**+0.9%**
China	**+4.4%**	**+4.6%**	**+4.3%**	**+3.8%**	**+4.6%**
Eastern Region	+3.8%	+4.0%	+3.6%	+3.2%	+3.5%
Northern Region	+7.1%	+5.8%	+6.4%	+5.8%	+6.4%
South Central Region	+5.7%	+6.4%	+3.9%	+3.5%	+5.4%
Southwest Region	+3.1%	+3.5%	+5.6%	+4.0%	+4.8%
Hong Kong	**-2.2%**	**-2.2%**	**-0.6%**	**-0.4%**	**-0.8%**
Japan	**+0.5%**	**+0.3%**	**+0.3%**	**-2.3%**	**+0.3%**
South Asia	**+4.4%**	**+4.1%**	**+4.5%**	**+4.3%**	**+4.9%**
India	**+4.1%**	**+3.9%**	**+4.2%**	**+3.9%**	**+4.4%**
Northern Region	+3.7%	+4.0%	+4.1%	+3.7%	+4.0%
Southern Region	+3.5%	+3.6%	+3.7%	+4.0%	+4.0%
Western Region	+5.1%	+4.3%	+4.8%	+3.4%	+4.6%
Sri Lanka	**+5.1%**	**+4.5%**	**+5.3%**	**+5.4%**	**+6.3%**
Western Province	+5.3%	+4.7%	+5.9%	+6.2%	+7.2%

RICS Consensus Tender Prices & Construction Costs (Next 12 months)

	Tender Prices		Construction Costs		
	Building	Civil Engineering	Commercial	Residential	Total
Southeast Asia	**+0.6%**	**+1.0%**	**+1.7%**	**+1.5%**	**+2.0%**
Malaysia	**-1.9%**	**-1.6%**	**-0.8%**	**-1.1%**	**-0.7%**
Borneo	-2.5%	-3.0%	-0.2%	-0.9%	+0.2%
Northern Region	-2.7%	-1.7%	-1.9%	-0.6%	-0.4%
Southern Region	-3.3%	-3.6%	-3.3%	-2.6%	-4.1%
Western Region	-1.6%	-1.3%	-0.5%	-1.1%	-0.5%
Philippines	**+6.6%**	**+6.8%**	**+6.8%**	**+6.9%**	**+7.2%**
Singapore	**+0.2%**	**+1.4%**	**+1.5%**	**+1.7%**	**+2.7%**
Middle East & Africa	**+1.7%**	**+1.6%**	**+2.6%**	**+1.9%**	**+2.4%**
Middle East	**+0.2%**	**+0.1%**	**+1.1%**	**+0.4%**	**+1.0%**
Bahrain	**+2.1%**	**+1.1%**	**+2.1%**	**+1.7%**	**+2.7%**
Kuwait	**+3.2%**	**+1.9%**	**+3.6%**	**+1.9%**	**+3.2%**
Oman	**+1.5%**	**+1.6%**	**+2.9%**	**+2.4%**	**+2.7%**
Qatar	**+3.4%**	**+3.5%**	**+3.6%**	**+2.7%**	**+3.8%**
Saudi Arabia	**+2.2%**	**+1.4%**	**+3.4%**	**+3.2%**	**+2.6%**
Makkah	+4.1%	+2.6%	+4.1%	+3.6%	+4.4%
Riyadh	+4.0%	+5.9%	+5.7%	+4.8%	+6.2%
UAE	**-2.8%**	**-2.8%**	**-1.7%**	**-2.5%**	**-1.9%**
Abu Dhabi	-4.0%	-4.0%	-3.1%	-4.5%	-3.7%
Dubai	-2.4%	-2.4%	-1.2%	-1.7%	-1.2%
Africa	**+3.8%**	**+3.9%**	**+4.6%**	**+4.0%**	**+4.3%**
Ghana	**+3.1%**	**+2.6%**	**+2.6%**	**+2.7%**	**+1.8%**
Mauritius	**+6.5%**	**+6.4%**	**+7.1%**	**+6.9%**	**+7.1%**
Nigeria	**+6.8%**	**+7.8%**	**+7.3%**	**+5.5%**	**+6.3%**
Northern States	+7.5%	+7.5%	+7.0%	+5.9%	+6.5%
Southern States	+6.4%	+8.0%	+7.5%	+5.3%	+6.3%
South Africa	**+3.0%**	**+2.8%**	**+3.8%**	**+3.8%**	**+4.1%**
Gauteng	+4.0%	+3.5%	+3.9%	+3.5%	+4.1%
KwaZulu Natal	+1.4%	+2.4%	+2.8%	+4.2%	+3.2%

RICS Consensus Labour & Material Costs (Next 12 months)

	Labour Costs		Material Costs					
	Skilled	Unskilled	Bricks	Concrete	Copper	Glass	Steel	Total
Asia Pacific	**+2.4%**	**+1.3%**	**+2.1%**	**+2.8%**	**+2.6%**	**+2.1%**	**+2.7%**	**+2.7%**
Australasia	**+1.6%**	**+0.4%**	**+2.0%**	**+2.4%**	**+2.9%**	**+2.6%**	**+3.2%**	**+2.5%**
Australia	**+1.5%**	**+0.1%**	**+1.9%**	**+2.4%**	**+2.9%**	**+2.5%**	**+3.2%**	**+2.6%**
New South Wales	+1.4%	+0.3%	+2.8%	+3.5%	+3.5%	+3.5%	+3.8%	+3.2%
Queensland	+2.8%	+1.3%	+3.0%	+3.4%	+2.4%	+1.6%	+1.4%	+2.4%
Victoria	+0.4%	+0.1%	+1.0%	+1.0%	+1.2%	+1.7%	+2.4%	+1.8%
Western Australia	+0.5%	-1.8%	-1.2%	-1.2%	+4.7%	+0.7%	+4.5%	+2.7%
New Zealand	**+1.7%**	**+0.9%**	**+2.2%**	**+2.4%**	**+3.1%**	**+2.9%**	**+3.4%**	**+2.5%**
North Island	+2.2%	+1.8%	+3.0%	+3.0%	+3.2%	+3.2%	+4.2%	+3.1%
South Island	+0.8%	-0.7%	+0.5%	+1.1%	+2.6%	+2.0%	+1.7%	+1.1%
East Asia	**+1.3%**	**-0.2%**	**+1.6%**	**+1.8%**	**+1.4%**	**+1.1%**	**+1.3%**	**+1.6%**
China	**+5.8%**	**+3.8%**	**+4.4%**	**+4.5%**	**+2.9%**	**+2.2%**	**+3.1%**	**+4.0%**
Eastern Region	+4.6%	+2.5%	+3.4%	+3.2%	+2.4%	+1.2%	+2.2%	+3.1%
Northern Region	+5.6%	+4.2%	+7.3%	+6.4%	+2.4%	+2.9%	+4.0%	+6.1%
South Central Region	+9.4%	+7.5%	+7.4%	+8.4%	+5.0%	+5.0%	+6.5%	+6.8%
Southwest Region	+5.4%	+1.9%	+2.0%	+2.7%	+2.1%	+0.9%	+1.3%	+1.7%
Hong Kong	**-0.7%**	**-2.2%**	**+0.5%**	**+0.7%**	**+0.6%**	**+0.6%**	**+0.5%**	**+0.6%**
Japan	**-0.3%**	**+1.1%**	**+0.7%**	**+1.0%**	**+0.9%**	**+1.7%**	**+0.6%**	**+0.2%**
South Asia	**+5.2%**	**+4.5%**	**+4.2%**	**+5.1%**	**+4.9%**	**+4.0%**	**+5.3%**	**+4.8%**
India	**+5.1%**	**+4.5%**	**+4.1%**	**+4.8%**	**+4.4%**	**+3.5%**	**+4.8%**	**+4.3%**
Northern Region	+4.5%	+3.6%	+4.5%	+5.2%	+4.5%	+4.4%	+5.4%	+4.4%
Southern Region	+5.5%	+4.6%	+4.1%	+4.6%	+4.4%	+3.0%	+3.7%	+3.9%
Western Region	+4.8%	+4.8%	+3.2%	+4.0%	+3.8%	+3.2%	+5.5%	+4.2%
Sri Lanka	**+5.6%**	**+5.0%**	**+4.5%**	**+6.1%**	**+6.7%**	**+5.7%**	**+7.3%**	**+6.6%**
Western Province	+5.4%	+4.9%	+5.0%	+6.2%	+7.1%	+6.0%	+7.4%	+6.8%
Southeast Asia	**+1.9%**	**+1.2%**	**+1.2%**	**+2.3%**	**+2.0%**	**+1.6%**	**+1.9%**	**+2.5%**
Malaysia	**+0.4%**	**-0.2%**	**-0.2%**	**+0.8%**	**+0.8%**	**+0.0%**	**-0.1%**	**+0.6%**
Borneo	+0.9%	-1.2%	+0.7%	+2.6%	+3.6%	+3.6%	+2.1%	+3.2%
Northern Region	+0.9%	-0.8%	-3.3%	-1.1%	+0.0%	-1.9%	-1.8%	-2.1%
Southern Region	-1.5%	-1.5%	-2.4%	-0.9%	-2.3%	-3.6%	-3.2%	-0.5%
Western Region	+0.4%	+0.1%	+0.2%	+1.0%	+0.8%	+0.1%	-0.0%	+0.8%
Philippines	**+4.4%**	**+3.6%**	**+3.7%**	**+5.1%**	**+4.2%**	**+4.5%**	**+5.8%**	**+6.0%**
Singapore	**+3.1%**	**+2.5%**	**+1.5%**	**+3.3%**	**+1.8%**	**+1.8%**	**+2.2%**	**+3.4%**

RICS Consensus Labour & Material Costs (Next 12 months)

	Labour Costs		Material Costs					
	Skilled	Unskilled	Bricks	Concrete	Copper	Glass	Steel	Total
Middle East & Africa	**+2.7%**	**+1.7%**	**+2.5%**	**+2.8%**	**+3.5%**	**+3.2%**	**+3.8%**	**+3.4%**
Middle East	**+1.5%**	**+0.7%**	**+1.7%**	**+1.6%**	**+2.1%**	**+2.2%**	**+2.3%**	**+2.1%**
Bahrain	**+1.4%**	**+0.7%**	**+2.5%**	**+1.7%**	**+3.1%**	**+3.1%**	**+2.7%**	**+2.9%**
Kuwait	**+2.6%**	**+2.3%**	**+2.0%**	**+1.9%**	**+1.9%**	**+1.9%**	**+2.0%**	**+1.9%**
Oman	**+2.4%**	**+2.4%**	**+0.5%**	**+1.0%**	**+2.5%**	**+2.5%**	**+2.4%**	**+2.0%**
Qatar	**+3.6%**	**+2.7%**	**+3.8%**	**+4.5%**	**+5.1%**	**+5.2%**	**+5.1%**	**+4.7%**
Saudi Arabia	**+3.8%**	**+2.2%**	**+2.6%**	**+1.8%**	**+2.4%**	**+2.4%**	**+3.1%**	**+3.2%**
Makkah	+4.8%	+3.7%	+3.6%	+1.7%	+2.7%	+2.5%	+4.0%	+4.5%
Riyadh	+3.8%	+3.3%	+4.7%	+5.9%	+6.5%	+5.3%	+6.8%	+6.6%
UAE	**-0.5%**	**-1.1%**	**+0.4%**	**+0.1%**	**+0.1%**	**+0.3%**	**+0.4%**	**+0.3%**
Abu Dhabi	-2.5%	-2.7%	+0.1%	-0.1%	-1.3%	-1.0%	-1.5%	-0.9%
Dubai	+0.3%	-0.5%	+0.6%	+0.3%	+0.7%	+0.9%	+1.2%	+0.9%
Africa	**+4.6%**	**+3.0%**	**+3.7%**	**+4.6%**	**+5.7%**	**+4.7%**	**+6.3%**	**+5.4%**
Ghana	**+7.5%**	**+2.9%**	**+3.9%**	**+4.3%**	**+5.8%**	**+5.6%**	**+5.0%**	**+5.8%**
Mauritius	**+6.0%**	**+5.5%**	**+5.5%**	**+5.2%**	**+7.4%**	**+7.8%**	**+6.2%**	**+6.5%**
Nigeria	**+4.9%**	**+3.5%**	**+3.5%**	**+5.3%**	**+5.6%**	**+5.9%**	**+7.3%**	**+5.6%**
Northern States	+7.6%	+5.7%	+4.7%	+5.8%	+5.9%	+6.6%	+8.2%	+6.6%
Southern States	+3.6%	+2.4%	+2.9%	+5.1%	+5.4%	+5.5%	+6.8%	+5.1%
South Africa	**+4.7%**	**+3.9%**	**+4.5%**	**+5.1%**	**+6.8%**	**+4.4%**	**+7.2%**	**+5.3%**
Gauteng	+4.3%	+3.7%	+4.0%	+4.8%	+6.9%	+4.0%	+7.7%	+4.8%
KwaZulu Natal	+4.3%	+3.5%	+5.3%	+5.6%	+6.9%	+4.7%	+6.7%	+6.6%

Information

Construction and Infrastructure Survey

RICS' Asia-Pacific and Middle East Construction and Infrastructure Survey is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 11 March 2020 with responses received until 16 April 2020. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1323 company responses were received globally. Results are collated at a country level with regional results only reported if a minimum of ten responses received. Responses in Canada were collected in conjunction with the Canadian Institute of Quantity Surveyors. Responses in the United States were collected in conjunction with the Association for the Advancement of Cost Engineering.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: **economics@rics.org**

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Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

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