

IN THIS EDITION ...

Business confidence in Saudi Arabia is growing with around 60% of entrepreneurs and middle market executives expecting growth of 6% to 10% in their businesses, according to a new survey.

The [Ernst & Young's Growth Barometer](#) annual survey of Saudi businesses found executives in an upbeat move, with a third of entrepreneurs expecting growth of more than 10% during the year.

Businesses attribute their growing confidence to the Vision 2030 reforms set by Crown Prince Mohammed bin Salman and the commitment to increase private sector's economic participation.

This year, regulation has emerged as a new force in stimulating innovation and revenue growth. In a major shift in opinion, over one third (35%) of Saudi respondents regard regulation as the top driver of innovation, up 28 percentage points compared to last year, EY said.

The survey also underscored that approximately a third (34%) of Saudi companies currently rely on bank finance for funding, but as Saudi Arabia looks to upgrade its stock exchange and open it to foreign investors, firms are looking for funding through capital markets.

"Almost three-quarters (73%) of executives are considering an IPO – another sign of burgeoning business confidence," EY said.

Saudi business leaders are also poised to be on a hiring spree with 58% looking to recruit more full-time staff, while around 29% of respondents considering overseas expansion.

Rising confidence was also backed by export figures, which hit a year high in July. Non-oil exports are rising as well this year, although they cooled off a bit during the summer months.

Overall, data from the [Saudi General Authority of Statistics \(GaStat\)](#), shows the kingdom's merchandise exports hit SAR 95.5 billion in June, its highest level in at least a year, and a 1.7% increase over May.

Meanwhile, the Purchasing Managers' Index survey by [Markit](#) also saw headline data rise to 55.1 in August from 54.9 in July, on stronger output and new orders growth.

The upbeat sentiment stems from a combination of economic reforms being rolled out, higher oil prices and rising investor interest in various sectors of the economy.



ECONOMIC TRENDS

The kingdom is on steadier fiscal ground, thanks to recovering oil prices and new policies that focus on empowering the non-oil and private sectors.

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RETAIL

A newly imposed government policy has opened up vast employment opportunities in the sector for nationals.

[Read More...](#)



VISION 2030

An overhaul of the country's oil-dependent economy is underway, requiring the participation of all segments of the public and private sectors.

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TRADE

Both oil and non-oil exports from the kingdom were in full swing in June, helping to boost the economy and lower the national budget deficit.

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SME

Saudi Arabian Monetary Agency's latest digital initiative is expected to reduce invoice processing expenses and improve payment management for small businesses.

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CEMENT

Sustainable residential and leisure projects will be the focus as the government addresses issues, such as population expansion and urbanisation.

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SAUDI ECONOMY REAPS REWARDS OF REFORMS: IMF



Saudi Arabia's focus on fiscal reforms and the development of non-oil sector remains vigorous and is boosting economic indicators, according to the [International Monetary Fund](#) (IMF), which expects the kingdom's fiscal deficit to narrow to 4.6% of GDP this year, and 1.7% by 2019.

"Over the medium term, however, the deficit is projected to widen to 3.6% of GDP in 2023 rather than move to balance as projected in the 2018 budget, although the non-exported oil primary deficit continues to decline throughout the projection period," the IMF said in its August report, noting that it was predicting oil price at USD 73 a barrel in 2023.

"Non-oil growth is expected to strengthen to 2.3% this year supported by higher on- and off-budget fiscal spending and higher oil prices, although rising interest rates could act as a drag," the IMF said.

Among other economic indicators, the current account surplus is expected to increase to 9.3% of GDP in 2018, on the back of higher oil revenues.

In the financial account, pension fund and overseas investments of the Public Investment Fund (PIF) are expected to continue, government external borrowing is projected at USD 17 billion, and inflows into the equity market are picking up ahead of Tadawul's inclusion in the FTSE/Russell and MSCI indices, starting March and June 2019, respectively.

As oil prices soften and import growth continues, the current account surplus narrows over the medium term, the IMF added.

ACCELERATING GROWTH

Meanwhile, financial outflows are assumed to continue at a slower pace, while equity inflows rise in 2019 and 2020 as global investors adjust their portfolios.

The IMF recommends focusing on a number of areas to build on the successes of the reform and accelerate growth. These include casting the net wider for value added tax, which was introduced at the start of the year. At the moment, around 110,000 of the 400,000 businesses are enrolled in the VAT programme, the IMF noted.

Expanding energy price reform and rationalising wage bills are other important areas that require more work on the authorities' part.

"Labour reforms should focus on making private sector jobs more attractive for Saudis and Saudi workers more attractive to private firms. This will require levelling the playing field on wages, benefits, and working conditions between Saudis and expatriates in sectors where Saudis want to work, reducing incentives to queue for government jobs, and improving skills development for Saudi workers," the IMF said.

INVESTOR CONFIDENCE

In September, Saudi Arabia raised USD 2 billion in new sukuk, or Islamic bonds, completing its external funding requirements for 2018, according to the [Ministry of Finance](#).

The transaction is the kingdom's second international sale of sukuk after a USD 9 billion issue last year.

The issuance, set to mature in 2029, saw huge demand from international investors, with total orders reaching more than USD 10 billion, reflecting the strength and robustness of the Saudi economy, which is a global investment power as it represents the region's safe haven for fixed income investors.

Separately, the [Ministry of Finance](#) also tapped issuance under the Saudi Arabian Government SAR-denominated Sukuk Programme. The issue's size was set at SAR 4 billion, bringing the total amount of issuance this year to SAR 7.465 billion.

The sukuk issued were divided into three tranches, as follows: the first tranche has a size of SAR 2.250 billion and matures in 2023; the second is SAR 0.500 billion and matures in 2025; and the third tranche is valued at SAR 1.250 billion and matures in 2028.

The bond sales are "part of the Ministry of Finance's commitment to the development of the Shariah-compliant debt capital markets," the country's debt management office said in a statement.

The DMO is also taking measures to support the development of the debt market, which include establishing a primary dealer system, allowing some flexibility in the pricing of government debt issuances, developing a sukuk programme, announcing a regular issuance programme, and registering all government debt securities with the Tadawul, the Saudi stock market.

Streamlining the capital market will also help Saudi's wider economy and the private sector looking to tap into the debt market.

"On private issuance, the ability to more easily set up special purpose entities will also help with the issuance of Shariah-compliant instruments. Disclosure requirements for large listed companies have been eased and medium-term note programmes permitted," said the IMF.

RETAIL BECOMES KEY JOB GENERATOR FOR SAUDI

In a bid to raise employment among Saudi nationals, the [Ministry of Labor and Social Development](#) is imposing workforce restrictions in 12 segments of the retail sector from September this year.

The 12 work areas that are banned for expats are: watch shops, optical stores, medical equipment stores, electrical and electronics shops, outlets selling car spare parts, building material shops, outlets selling all types of carpets, automobile and mobile phone shops, shops selling home furniture and ready-made office material, sales outlets of ready-made garments, children clothes and men's supplies, household utensils shops, and pastry shops.

Saudis make up 18.25% of the total trade workforce, with just over 444,000 jobs occupied by nationals out of 2.4 million in the sector at the end of last year, according to the [General Authority for Statistics](#) (GaStat).

Saudi men make up 11.3% of trade jobs, while Saudi women account for just over 8%, by the end of 2017, data shows.

The directive by the Ministry of Labour will potentially allow Saudi nationals to access roughly 2 million new jobs. The decision is especially a boon for Saudi women who have recently been allowed to drive, and are well-suited for a number of retail jobs, especially in the areas of women's and children's clothes, jewellery and accessories.

At the end of last year, there were just over a 1 million Saudi jobseekers, according to GaStat data.

Authorities are also encouraging Saudisation in other parts of the economy by bridging the cost gap between employment of Saudis and expats.

Among the many measures include imposing a monthly fee on each expatriate worker based on the ratio of expatriate workers to Saudis in the same company as of January 2018, with an annual increase of SAR 200 per month (SAR 300 when the number of expatriate workers is equal to or less than the number of Saudi workers) and SAR 400 when the number of expatriate workers exceeds the number of Saudi workers in 2018.

A monthly fee was also imposed on dependents as of July 2017, with an annual increase of SAR 100 per month (SAR 100 in the first year and then SAR 200, 300 and 400 in subsequent years).

RETAIL INDICATORS

Despite the summer slowdown, the Purchasing Managers' Index survey by [Markit](#) saw headline data rise to 55.1 in August from 54.9 in July, amid stronger output and new orders growth.

However, employment growth was modest, and the slowest in three months, while average selling prices declined for the second month in a row, as firms offered promotions to stimulate demand, Markit said.

"The output and new work indices rose to their highest levels so far this year at 59.7 and 59.0 respectively, but as with the headline PMI, year to

date, both components remain well below previous years' averages," Markit said.

"Export orders increased only marginally in August, and some firms noted that domestic demand was supported by promotional activity. This is also reflected in the output price index, which showed a decline in average selling prices for the second month in a row in August, despite higher input costs."

In addition, employment growth was relatively modest in August, with just 2% of firms surveyed reporting increased hiring.

"On the whole, firms surveyed were optimistic about their future output, with 17% of firms expecting their output to be higher in a year's time. However, this is a slightly lower percentage than in July," Markit said.

Other economic data is also promising with bank credit to the private sector rising for the fourth consecutive month in July, up 0.7% compared to July of 2017, according to data by [Saudi Arabian Monetary Agency](#).

Meanwhile, point of sales transactions rose 25% year on year and ATM withdrawals expanded by 13% in July, in more signs of rebounding consumer sentiment and activity.

Inflation has been edging higher, rising 0.1% month on month, but 2.3% year on year in July. The breakdown of the data showed that the slight rise in headline inflation last month was driven by a jump in food inflation, which accounts for around 20% of the CPI basket, from 5.7% year on year in June to 6.7% year on year in July.

That directly pushed headline inflation up by 0.2% points. Digging a little deeper, the jump in food inflation was caused by a sharp rise in vegetable inflation.

Higher food inflation was partially offset by weaker price pressures across the other main price categories. Clothing inflation fell deeper into negative territory, while there were also modest declines in furnishings and communications inflation.



VISION 2030: SAUDI ON PATH TO ECONOMIC TRANSFORMATION

While Saudi Arabia has embarked on a number of billion-dollar projects as part of its Vision 2030 drive, it is also on a branch-and-root overhaul of many economic centres.

In July, [The Ministry of Energy, Industry and Mineral Resources](#) said it had completed a modified mineral investment system, which opens the path for investors and the private sector to benefit from promising investment opportunities in the mining sector.

“The value of the geological inventory of minerals in the kingdom exceeds SAR 4.9 trillion, which is one of the kingdom's rich resources in various crude materials such as phosphates, iron ore, bauxite, gold, zinc, copper and industrial minerals,” according to Engineer Khalid Al-Falih, minister of energy, industry and mineral resources.

New laws will boost production tenfold and allow the metals industry to be the third pillar of the Saudi economy, along with oil, gas and petrochemicals. The mining law is just the latest of several regulations being upgraded to attract international investors. Over the past 12 months, authorities have implemented a number of reforms.

The bankruptcy law has also been approved, and the public procurement and competition laws are moving forward. Steps to improve government processes, including for new business licensing, are ongoing. Some relaxation of foreign direct investment restrictions is underway.

Moving forward with its reform initiatives, the government formed an e-commerce council, bringing all relevant government bodies on board to create a stimulating environment for e-commerce, and contribute to boosting the national economy, according to the [minister of commerce and investment, Dr. Majid bin Abdullah Al-Qasabi](#).

The council aims to co-ordinate all related bodies' efforts, including facilitating e-commerce functions, guaranteeing effective implementation of projects, promoting consumers' rights, and consolidating e-transactions' trust.

REFORM MEASURES

Here are some of the massive reforms being undertaken by the authorities:

CAPITAL MARKETS

- (1) The minimum asset size for foreign investors to trade in market was reduced from [USD 1 billion to USD 500 million](#) (Jan-18)
- (2) Creation by the Public Investment Fund of a mortgage refinance

- company (August 2017)
- (3) Government bonds traded on the Tadawul (Apr-18)

FDI/TOURISM:

- (1) Authorisation of qualified foreign companies to have full ownership of engineering firms (Aug-17)
- (2) Foreign investment licenses available for five years, compared to one year previously (February 2018)
- (3) Regulations approved for issuance of tourist visas (Apr-18)

LEGAL FRAMEWORK:

- (1) Approval of the new bankruptcy law by Council of Ministers (Dec-17)
- (2) Public Procurement Law (Final stages)

STARTING/DOING BUSINESS:

- (1) Updated Competition Law (Final stages)
- (2) Updated Companies Law (Final stages)
- (3) Franchise law (Final stages)

FEMALE EMPOWERMENT:

- (1) Women permitted to drive (Jun-18)
- (2) Consent of male guardian no longer needed to start a business (February 2018)
- (3) Access to certain jobs in the military (February 2018)

LABOR MARKET:

- (1) Prohibition of issuing new work visas for 19 professions restricted to Saudis.
- (2) Issuance of a Ministerial decree to limit work in 12 sales activities to Saudis effective (September 2018).
- (3) Amendments to Nitaqat introduced, increasing the mandatory employment ratio of nationals to expatriate employees. (August 2017-September 2018)

SMEs

- (1) Fund of Funds created by PIF to invest in venture capital and private equity funds.
- (2) Restructuring of the partial credit guarantee scheme for SMEs (Kafalah programme).
- (3) Investment Fund created to invest in SMEs. (October-December 2017)

(Source: [International Monetary Fund](#))

(Source: [Saudi Press Agency](#))



PIF'S MAJOR ROLE

The Public Investment Fund (PIF), which has been tasked with spearheading the drive to boost the economy and double its assets under management to USD 400 billion by 2020, has already committed billions of dollars on a number of projects that will attract investments and create jobs.

The largest PIF commitment over the past two years has been the SAR 169 billion investment in [Softbank's](#) cutting-edge USD 100 billion Vision Fund, which invests in technology companies.

Other major investment includes SAR 75 billion in [Blackstone Infrastructure Fund](#), SAR 60 billion in Egypt Investment Fund, and SAR 37 billion in [Russian Direct Investment Fund](#).

Closer to home, PIF has invested in the Saudi Military Industries Company (SAMI), the Entertainment Investment Company, and Noon.com, an e-commerce platform. The Saudi sovereign wealth fund is also working towards attracting investors to the USD 500 billion NEOM and the Red Sea Project.

State enterprises such as Saudi Aramco, and Saudi Arabian General Investment Authority, as well as various ministries, are all working together to achieve their short-term 2020 targets and the longer term 2030 goals.

SAUDI TRADE ACTIVITIES SHRUG OFF SUMMER LULL

Saudi exports jumped 62.3% in June, compared to the same period last year, as manufacturers gear up for rising economic activity.

Data from the [General Authority of Statistics](#) (GaStat), shows the country's merchandise exports hit SAR 95.5 billion, its highest level in at least a year, and a 1.7% increase over May.

Oil exports led the way, surging 72.7% in June to reach SAR 78.7 billion compared to the same period last year. Meanwhile, oil exports rose 5.1% month on month, versus May 2018.

Non-oil exports cooled down a bit reaching SAR 16.7 billion in June, from SAR 19 billion in the first quarter of this year. The slowdown was attributed to a lull in summer activity. However, non-oil exports were still up 26.7% year on year.

The overall growth in non-oil exports were led by plastics and rubber products, the largest export item from the country after oil, climbing 52.5% to reach SAR 6.5 billion in June compared to the same period last year.

Chemical products, the second largest export item in June, rose SAR 4.29 billion, or 16.7% as against the same month in 2017, GaStat data shows.

Base metals – the third largest export item – also posted a double-digit increase at 40% during the corresponding period to reach SAR 1.4 billion. Vehicles and transport equipment dipped slightly by 5.5% to SAR 1 billion, while electrical equipment, the fifth largest export product, expanded 36.7% to SAR 825 million.

Four of the kingdom's top five export markets registered strong gains, while the fifth saw a slight drop.

China, Saudi's biggest export market rose 40.8% to SAR 1.8 billion compared to June 2017, while exports to the UAE expanded 35.1% to SAR 1.5 billion. Exports to Singapore saw a 63.1% jump to SAR 753 million, but exports to India slipped 0.2% to SAR 774 million. Turkey, the fifth largest market for Saudi non-oil exports, rose 74.3% to SAR 762 million during the period.

The kingdom's export outlets via sea ports, airport and land also saw brisk economic activity. GaStat data shows exports via sea rose 32.4%, compared to June 2017, while exports via airport rose 9.1% and land was up 8.6%, suggesting all-round growth.



BOOSTING TRADE BALANCE

Meanwhile, total merchandise imports to Saudi reached SAR 342 billion in June 2018, compared to SAR 353.22 billion in the corresponding period of the previous year, a contraction of 3.2%. Merchandise imports in June 2018 were also lower than those in the preceding month (May 2018) by 22.7%.

The smaller import bill helped boost trade balance to SAR 61.3 billion for the month, raising the ratio of non-oil exports to imports to 49%, the highest level in at least a year. The kingdom is also boosting trade ties with its neighbours, including Jordan.

The favourable economic picture was reflected in the kingdom's second quarter deficit, which contracted to SAR 7.361 billion, thanks to the growth in revenues and comparably smaller increase in expenditure.

The steady increase in exports came amid a focus on raising local produce over imports and higher oil prices.

Oil prices have been climbing over the past year as OPEC and its allies stabilised the market with output quotas. With the self-imposed restrictions loosened by OPEC officials earlier this year, Saudi Arabia stepped up production to 7.24 million barrels per day (bpd), compared to 6.98 million bpd in May, according to data from the [Joint Organizations Data Initiative](#) (JODI).

A strong focus by major Saudi conglomerates and state-owned

enterprises to encourage local produce and services has also helped to steadily cut back imports.

EXPANDING TRADE TIES

Saudi Arabia is increasing trade relations with a number of countries. In the past few months, the kingdom has pledged to strengthen ties with [South Africa](#) and [Pakistan](#) – two promising emerging economies with new governments in power.

With Pakistan, the kingdom's officials discussed investment opportunities in mining, petrochemicals, food, medicine and other sectors.

Saudi Arabia also strengthened trade ties with the [UAE](#), signing 20 memoranda of agreement in June. A key deal was to facilitate "the flow of traffic in the ports by addressing the obstacles facing the flow of traffic and trade across borders and propose necessary solutions," between the two nations.

The measures taken in the past few years to forge closer relations with its neighbours and Asian countries should help Saudi Arabia improve trade flows, as economic activity picks up after the summer months.

NEW E-INVOICING PLATFORM A BOON FOR SAUDI SMES

The launch of Esal, an e-invoicing business payment, is expected to streamline payment process especially for small and medium enterprises (SMEs) keen to cut service and invoicing costs.

[Saudi Arabian Monetary Agency](#) (SAMA), which launched the service, aims to reduce transaction costs and promote efficiency by simplifying the invoicing process between suppliers and various government entities and business sectors.

The platform will also improve payment management by providing better visibility on invoice status and access to user-friendly graphics and payment analyses, while enabling reconciliation and settlement through an integrated digital control panel.

"At SAMA, we strive to boost non-cash transactions, make financial services more accessible to small and medium sized enterprises (SMEs) and consistently adopt new technologies in line with our Integrated Digital Payment Strategy," said Hashem bin Othman Alhekail, deputy governor for banking operations at SAMA.

"With plans to add additional functionalities to the service throughout the coming year to further improve B2B payment processes, we strongly believe that Esal will be the key to unlocking significant growth for the kingdom, in line with Vision 2030's objectives."

Most observers, including the International Monetary Fund (IMF), say technology, and in particular fintech, can lower transaction costs related to access and usage of financial services.

ALL EYES ON FINTECH

Fintech, including mobile banking, e-banking, and e-wallets, has become a relatively inexpensive tool to help individuals use banking services and enter the financial market. It can also lower transaction costs for banks and governments by making credit history data and other information on customers readily available.

"The government aims to make Saudi Arabia a strong fintech hub and increase the number of fintech companies. However, only a few fintech-related start-ups have emerged compared to the rest of the region. The usage of e-banking is also low compared to peers in the region with only 25% of Saudi adults using e-banking in 2017," said the [IMF](#).

Saudi SME sector is also going global, and comparing notes with its US counterparts that have led the way in fintech and other SME growth.

Meanwhile, the [US-Saudi Arabia Business Council](#) will organise the US-Saudi SME Forum: Accelerating Growth and International Partnerships, to be held from 1 to 2 October 2018 in Los Angeles, California. The forum will provide a venue where Saudi and American SMEs network and share their experiences as serious entrepreneurs operating in complex environments.

The event will feature officials from Saudi Aramco, NEOM City, Saudi Arabian Basic Industries, and a number of Saudi SMEs.

Apart from network sessions, and speeches, the event will also feature a case study workshop with selected SMEs, led by subject matter experts, which aim to identify solutions for advanced business challenges.

"Saudi and US SME participants will collaborate in small groups to solve real world case study challenges together, guided by industry experts," according to the organisers. "Case study challenges will be custom-tailored to the needs and sectors of participating SMEs based on application criteria. SMEs will be grouped according to maturity level and interests to maximise relevance and impact."

Saudi SMEs present a global opportunity as prospects of growth in the sector are immense. Management consultant [PricewaterhouseCoopers](#) estimates the SME sector alone to be a SAR 2.2 trillion opportunity just waiting to happen.

SMEs in Saudi Arabia employ 62% of the total private sector workforce, but today only 7% are women. The opportunity is enormous, particularly as women are eager and ready; in 2016, 40% of Saudi start-ups were owned by women, PwC said.

HIGH RANKING

Meanwhile, Saudi Arabia was ranked 30th among 195 countries in ease of starting a business, according to [SEMRush](#).

"The significant number of manufacturing-related SMEs in Saudi Arabia, combined with Saudi Arabia appearing in the top 40 global online searches for 'starting a business' demonstrate that potential export opportunities are vast for the kingdom," noted Adam Zeidan, MENA region corporate communications manager at SEMrush.

"SMEs are critical to all economies around the globe and will particularly assume a noteworthy part in the non-oil-dependent part of Saudi economy. SMEs add to the economy by opening employment doors for Saudis and motivating youth and female segments of society.



"The SME sector acts as a nursery for future bigger firms. Experts agree that SMEs in Saudi Arabia can be an additional economic launchpad for the kingdom since growing microenterprises, in turn, impacts savings and investments in Saudi Arabia."

CONSTRUCTION SECTOR BUILDS ON SAUDI'S ECONOMIC GROWTH



The value of Saudi Arabia's construction industry is expected to more than double by 2026 to reach SAR 357.96 billion from around SAR 165.93 billion in 2017, according to Business Monitor International (BMI).

The research house predicts the sector will grow exponentially between 6% and 7% annually in the next eight years. In addition, the industry's economic contribution will expand from the current 6.4% to 8% of the GDP during the period, [BMI Research forecasts](#).

[Ventures Onsite](#), a research house focused on the regional construction sector, expects contractor awards across the building, infrastructure and energy sectors to reach USD 40.6 billion in 2018, compared to USD 34.15 billion the previous year.

"The building construction sector is expected to register the highest contractor awards followed by the energy and infrastructure sectors in 2018. Increase in population growth, urbanisation, and tourism are expected to drive growth in the building sector especially in the residential and leisure market," the company said.

INFRASTRUCTURE PROJECTS

Illustrating the breadth of the kingdom's economic diversification plans and the positive knock-on effects for infrastructure growth, the government has unveiled plans for a new USD 500 billion independent special business and industrial zone.

The 26,500-square-kilometre special zone, called NEOM, will be located in the north west of the country, extending across the Egyptian and

Jordanian borders. The zone will focus on various sectors, including energy and water, food, biotechnology, advanced manufacturing and entertainment. NEOM will be fully automated and completely powered by wind and solar energy.

In addition, [Al Qiddiya](#), a new entertainment, sports and cultural destination in Saudi Arabia, has received the go-ahead in April. Led by the Public Investment Fund, the project will be built in Al-Qiddiya area, some 40 kilometres west of Riyadh.

Another key project, the construction of satellite gas compression plant pipelines for Saudi Aramco's Haradh Gas Increment Programme, was awarded to Turkish firm Tekfen Construction in a deal worth USD 590 million.

"We expect robust structural demand for power and potable water to support outperformance in Saudi Arabia's energy and utility sector, which we project will expand by an average annualised rate of 7.2% from 2018 to 2022, compared to 5.9% for the country's broader construction sector," BMI said in its [report](#).

"We expect a bevy of high-value rail projects to continue to drive growth in the country's transport sector..., rail projects account for 29% of total project value moving through Saudi Arabia's construction pipeline."

SHORT-TERM CHALLENGES

The Saudi cement sector continues to see excessive inventory, which

has led to a price war and reduced the cost of construction in the country.

Cement sales in the first eight months of the year stood at 27.8 million tonnes, a decrease of 13.05% year on year, according to [Yamama Cement](#), which tracks production across major companies. Clinker production fell 6.7% to 31.4 million tonnes.

The decline in production has resulted in a lull in construction activity as the kingdom rationalises large-scale projects, and there is a time lag between preparing proposal for new projects and their actual execution.

[Yamama Cement](#) saw net loss of SAR 36 million, while revenues also fell 42% during the quarter compared to the same period last year. Saudi Cement revenues reached SAR 245.8 million, a decline of 8.8% year on year, while Arabian Cement saw a net loss of SAR 50.9 million.

However, the cement companies' earnings may have bottomed out as the country gears up for a new spate of projects.

"With KSA's 2018 budget, the government is recommitting to investments in the future. The kingdom's construction market is expected to show significant growth and offer lucrative potential due to its Vision 2030, NTP 2020, and ongoing reforms to diversify away from oil," according to Ventures, which tracks the regional construction sector.

Meanwhile, the 1st International Contracting Conference and Exhibition (ICCE) is being hosted in Riyadh and aims to highlight the construction opportunities in the kingdom.

Thabet Mubarek Al-Sawyeed, governor of the [Saudi Contractors Authority](#) (SCA), said the 1st ICCE is formed under the guidance of Saudi Vision 2030.

"As part of Vision 2030, Saudi Arabia is going through immense change, and part of this change is to achieve a sustainable contracting sector for the kingdom," said Al-Sawyeed.

"In line with King Salman's vision, the SCA's mandate is to organise, develop and regulate Saudi's contracting industry, enabling it to build competent capabilities and to raise the standards produced by the sector, thereby establishing a safe and secure work environment.

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