

# Saudi Infrastructure Sector

## Fact Finding Mission: September 2022

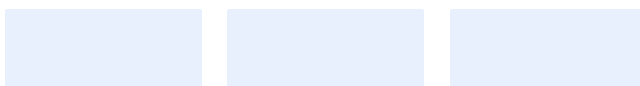
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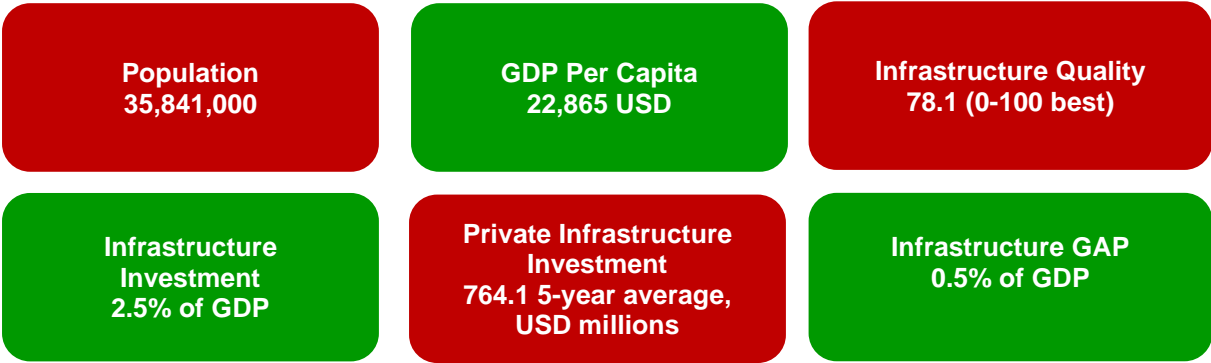
Saudi Arabia, April 2022



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## SAUDI INFRASTRUCTURE SECTOR



- Saudi Arabia’s bedrock of megaprojects and their increasing investment opportunities despite the Covid-19 pandemic and the consequent fluctuations in market conditions attest that infrastructure development is one of the main national priorities for the diversification of the Saudi economy.
- With tens of billions of dollars’ worth of projects in bidding and hundreds more in planning, the race is on to see Saudi Arabia’s megaproject grand designs over the finishing line

Saudi Arabia is embarking on a multi-billion-dollar infrastructure boom. It has announced a trillion-dollar pipeline of infrastructure projects aimed at diversifying the economy beyond oil and positioning the country as a global hub for investment and logistics. The development agenda has created opportunities in a range of new areas such as smart cities, tourism, and clean energy. Vision 2030’s bold plan to boost and diversify the nation’s economic activity is sparking an unprecedented infrastructure drive. After the announcement in January 2019 of the USD 425bn National Industrial Development and Logistics Programme, aimed at transforming the Kingdom into a leading industrial powerhouse and a global logistics hub, the Saudi government established in October 2021 a USD 53.4bn infrastructure investment fund to catalyse private sector involvement in major infrastructure projects. The Kingdom is planning investment in healthcare infrastructure (USD 66.67bn) and the energy sector (USD 90bn) will be subject to a high-speed digital upgrade. Construction is also underway on a number of schools, hospitals and industrial hubs across the country. Planning heavy investments in sectors as chemical, mining and metals, information technology, industrial and manufacturing, the country is offering countless opportunities in real estate, hospitality, clean energy, tourism and smart cities.

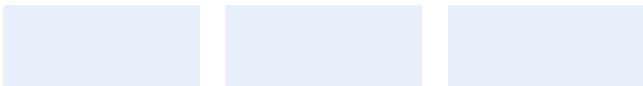
## HOW TO GET A BETTER OVERVIEW OF THE SAUDI MARKET

After a seven-year slowdown triggered by the crash in oil prices in 2014 and deepened by the impact of Covid-19, Saudi Arabia is experiencing an economic resurgence. Infrastructure in Saudi Arabia is estimated to grow at a CAGR of approximately 6% to 2026, and the launch of the new National Infrastructure Fund (NIF) certainly supports this prediction. The construction sector is a vital contributor toward economic growth across the kingdom and smart construction is well poised to drive its strong rebound, which provides massive opportunities for the adoption of new technology and systems in the market (e.g., efficiency, sustainability, and digitalisation).

Although the longer-term outlook is boosted by the country’s improving fiscal situation<sup>1</sup> as oil prices recover and oil output caps are eased, the local contractors, engineers and manufacturers can look to forward to a healthy increase in building and infrastructure projects in the coming years. The Saudi government support measures - stimulus spending- will boost construction activity in the coming year. Vision 2030’s foreign investment objectives were designed to boost infrastructure growth in Saudi

<sup>1</sup> Realising the balanced-budget target by 2023 (as in the Fiscal Balance Program) is contingent on sustained fiscal consolidation and higher oil prices

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Arabia, and so far, its goals are right on track. Due to factors such as vast population growth, extensive urbanisation, an increase in tourism, economic diversification and the streamlining of business processes, investment potential in Saudi Arabia has reached new heights.

Saudi Arabia is seeking to attract about USD 429bn in private sector investment over the next 10 years for a landmark infrastructure and industrial programme as part of its economic diversification campaign. The Saudi advanced infrastructure plans are driving increased global attention to the country, thus bringing a welcome boost to the leisure, tourism and entertainment industries. Similarly, the lucrative opportunities emerging across this wide range of sectors are extremely promising for companies in infrastructure projects.

Increased use of public-private partnerships (PPPs) to deliver public services will see a new breed of private-sector clients for infrastructure projects. This will change the relationship between contractors and the government (the main client) and will add momentum to the need to innovate and reduce waste

## WHERE TO FIND THE RIGHT OPPORTUNITIES FOR YOUR COMPANY

### Summary

The infrastructure and construction industry encompasses a variety of products and services that together provide for the planning, architectural design, erection and finishing of modern structures. Infrastructure extends beyond the building of structures and into the foundational physical systems that construction is based upon. These systems are things like electrical grids, water and sewage systems, airports and telecommunications networks.

Saudi Arabia's infrastructure and construction industries are driven largely by state-funded projects, designed to boost the economy and to encourage diversification away from an oil monopoly. The Saudi Arabian real estate sector has been bolstered by high levels of foreign investment as the market has gained a reputation as a promising investment target. Investments have been largely funnelled into luxury residential compounds and lifestyle venues, leaving a gap in the market for low and medium cost residential properties. While the government has pledged to help close this gap, provision of sufficient units remains a challenge.

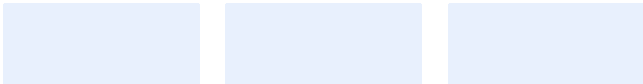
Initially fuelled by demand associated with the Kingdom's oil revenues, which requires a comprehensive range of industrial structures and infrastructure, the Saudi government has recently made large investments intended to boost the country's non-oil infrastructure. This includes heavy investments in healthcare, education, and infrastructure projects, including the creation and restoration of rail networks and roadways, in addition to significant construction expenditures in the residential housing sector.

The initiative to diversify the Saudi economy and make the Kingdom as a logistic hub is expected to provide new opportunities for construction equipment in infrastructure development. In 2021, the Saudi government has invested in construction projects (housing projects worth USD 613 million) which led to the resumption of construction activities supporting the demand for construction equipment. By 2028, the material handling equipment segment in Saudi Arabia is estimated to rise at a CAGR of 7.45%. In July 2021, Saudi Ports Authority had partnered with private sector to build eight new port terminals that are expected to surge demand for the material handling equipment industry over the long term. On the real estate front, eight new cities are planned along the Red Sea coast, where nearly USD 575bn is being spent to deliver over 1.3 m new homes, more than 3 million m2 of offices space, and over 100,000 hotel rooms.

### Megaprojects

Saudi Arabia is home to a number of the biggest infrastructure projects in the region including the ongoing Riyadh Metro, the upcoming Jeddah Metro, Makkah Public Transport Programme, [AIUJa](#) International Airport, and [Red Sea](#) International Airport, among others. Additionally, the Kingdom is transforming its historic and cultural palaces, supported by the launch of the new [Boutique Group](#) by the

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Public Investment Fund (PIF), the Saudi sovereign fund and the financial arm of the diversification in the Kingdom.

The [Qiddiya](#) project, located 45 km west of Riyadh, is being developed as a city for entertainment, sports, and arts, and also has a completion date of 2022 for the first phase. With initial infrastructure costs of USD 8bn, the project needs additional investments to reach its goal of 17million visitors per year by 2035. [Amaala](#), a USD 3bn luxury wellness tourism project, planned for construction near NEOM and The Red Sea Project in the north-west. [NEOM](#) will be yet another smart city, used to create innovations and sustainability projects, estimated to cost USD 500bn alone. Neom aims to reshape humankind with new ways of living in zero-carbon cities free of cars. These projects have been joined by a raft of other major projects such as [King Salman Park](#), [Riyadh Sports Boulevard](#) and [Jeddah Downtown](#). Meanwhile, Riyadh will be featured as a commercial centre for the country, with more than 100,000 new homes expected by the end of 2023 and close to 3 million m2 of new office space in the works, along with over 12,000 hotel rooms, spread across mega projects worth an estimated \$ 63bn.

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