



TradeServices

SAUDI ARABIA FACT SHEET: 8

Infrastructure Building and Construction

Saudi Arabia is witnessing an economic boom following a surge in oil prices and huge flow of foreign investments. The Kingdom's ambitious plan is to dramatically raise investment competitiveness with its programs designed to build six economic cities in Rabigh, Hail, Madinah, Jizan, Tabuk and Ras Azour. This project aims to meet the residential, health, and education needs of its rapidly growing population. The current global financial crisis is not expected to affect the projects and spending that include:

Construction of six mega-economic cities: \$325.5 Billion over 6 years

Residential and commercial buildings: Over 2 million new housing units - 600,000 for Riyadh alone. A \$4.8 Billion plan to build 4000 schools, three new universities, 85 new colleges, three hospitals and 35 technical and vocational institutes. More than 600 new factories will also be built.

Additional road and railway links: \$6.6 Billion

New airports and existing airports expansions: \$11.5 Billion

Jeddah Islamic Port expansion: \$534.2 Million

* All prices are quoted in AUD

Electric Power Projects:

The Saudi Government seeks private investment to expand generation capacity, unify its national electricity grid, and switch its power plants from heavy oil to natural gas. The Ministry of Water and Electricity's 25-year electrification plan calls for AUD\$132.6 billion in capital investment to increase total capacity from about 30,000 megawatts per year at the beginning of the plan to 70,000 megawatts per year by the year 2020.

Best Prospects

There is continuing demand for the following equipment and related components:

- Gas and steam turbine units
- Turbine spare parts & accessories
- Power plant design engineering firms
- Power plant consulting firms

- Products and services related to the Power industries, such as valves, compressors, pumps, spare parts, as well as various other related equipment and products.

Green Building

Although there are no official figures available for the Green Building sector, industry sources indicate that Green Building is the future. However progress is slow. Whilst oil is abundant in Saudi Arabia, the government aims to move towards environmentally friendly constructions. The aim of these initial standards is to reduce the cost of construction, power and water consumption and extend the age of current buildings in a way that is sustainable.

Note: Due to extreme heat, no work is carried out between 12.00 noon 3.30pm.



Residential

If Saudi Arabia is to meet population demand it will need to build 1.5 million new homes by 2015 and it will be up to the financial institutions (both governmental and private sector) to provide the finance that makes this expansion possible. The populated areas of Makkah with population size of 6.1 million and Riyadh with 5.9 million are also expected to lead the Kingdom with the housing demand of 26.7% and 24.7%, respectively.

Retail

Retail being one of the popular leisure activities in the Kingdom, is expected to continue growing even at times of global slowdown. According to market sources, the retail sector which is valued at AUD \$30 billion is projected to grow by around 30% by 2012.

Hospitality

With the global Muslim population of 1.5 billion to 2.0 billion recording annual growth of more than 2%, the number of Muslims visiting the holy sites in Saudi Arabia will continue its increasing trend every year. It is estimated that to accommodate the large number of tourists, the government and the private sector would have to actively work to bring in new supply of hotel rooms to the existing 125,000 hotel rooms.

Best Prospects

Architects and consultants such as engineering consultants and other front end providers have the best opportunities. The following also offer great opportunities:

Earth moving machinery and equipment, construction tools, construction equipment.

Bathrooms, asphalt machinery, architectural finishes, anti-corrosion products, asphalt plants, architectural services, aluminum products, wall covering, building automation, ceiling materials, carpentry equipment, cement mixers, cement additives, ceramics, floor covering, excavation and earth drilling equipment, construction chemicals, safety, security, tools and hardware equipment, engineering and contracting services, and project management services.

Building materials and design

Saudi construction companies are looking for building materials that can offer greater variety, trendier design, as well as better value-for money.

Training services for skilled workers such as electrical and mechanical engineers.

Contracting - a track record in the region critical, as are sound local partners.

Facility management, asset management, surveying and landscaping.

Note: With so many construction projects scheduled, material prices will remain crucial.

Market Issues & Obstacles

Customs and Immigration can be demanding to deal with. Unless you have local partners/contacts you may encounter delays.

The tariff on building material is set at 12%, though items imported for some government projects can be exempted from customs dues.

Note: It is suggested that building, construction and infrastructure based companies should aim to complete 10 months work in a 12 month working period due to extreme temperature, common dust storms and religious holidays such as Ramadan.