

# Saudi Arabia's Major Fastener Sectors

## AUTOMOTIVE

Saudi Arabia is the largest auto market for both new and used vehicles and the largest auto parts market in the Gulf Cooperation Council (GCC). It is also the region's largest importer of automotive products with some of these imports being re-exported within the region. Annual sales are estimated to be 900,000 for 2015, which is double the size from 2006. Sales are forecasted to increase to 1 million units in the next couple of years, accounting for nearly 40 percent of all vehicle sales in the region.

Saudi Arabia is paving the way for investment from the global auto industry to build on the successes manufacturers based in the country are already enjoying. Several OEMs have already taken advantage of this environment and have established local manufacturing facilities in Saudi Arabia such as Jaguar Land Rover and Isuzu. Broad government support, plentiful natural resources, and a pro-business environment are but a few reasons the Kingdom's automotive sector is quickly becoming an international player.

## CONSTRUCTION & INFRASTRUCTURE

The outlook for Saudi Arabian construction remains bright as the industry's output value is forecast to rise at a CAGR of 7.05 per cent by 2020, compared with 6.35 per cent during the review period (2011-2015).

According to a report from Timetric's Construction Intelligence Center (CIC), the industry is consequently set to rise from a value of \$105.6 billion in 2015 to \$148.5 billion in 2020, measured at constant 2010 US dollar exchange rates.

While projects worth \$2 trillion are in the pipeline in the GCC, with the market still "attractive" despite a forecast 17 per cent decline in contract awards this year. Activity is forecast to be strongest in Saudi Arabia and the UAE, the professional services firm said in its GCC Powers of Construction 2016 report, which assessed areas including construction, energy, transport, industrial projects and infrastructure works. Saudi Arabia continues to be the largest pipeline project market and the biggest spender among the GCC countries.

### Major Saudi infrastructure projects:

1. Haramain High Speed Rail (\$11.1bn): Project covering a new 450km high-speed rail line linking Saudi Arabia's holy cities
2. Jeddah Metro (\$8.5bn): The project will include three lines.
3. Riyadh Metro (\$7-8bn): Plans for the six-line.
4. King Abdulaziz International Airport (\$7.2bn).
5. Saudi Landbridge (\$7bn): The Red Sea to the Gulf rail line is an integral part of the GCC's connected rail network.
6. Makkah Grand Mosque redevelopment (\$24.4bn).

7. Jabal Omar Development (\$5.3bn).
8. King Abdullah Port expansion (\$2bn): The country's newest port on the west coast is located in King Abdullah Economic City.
9. Jubail II (\$80bn): A 22-year industrial project that is getting a massive expansion.
10. Northern Border Security Project (\$1bn).

## **ENERGY**

Saudi Arabia is the biggest oil producer in the world, it has the second largest proven oil reserves and the sixth largest proven gas reserves, which means that the Saudi economy is heavily based and dependent on the oil and gas industry. Rising domestic oil consumption increases the pressure on oil exports. As a result, the Kingdom is now trying to intensify its natural gas production in order to keep its current export levels up. The country is also developing a domestic renewable energy market, the driving forces behind which are the rise in domestic demand for energy and the will to diversify its economy.

Some 3450 MW of installed renewable energy capacity is expected by 2020, which will make up 4% of the total energy mix, compared to zero at present.

The government has also committed to continuing investment in renewable energy beyond 2020, announcing in April that 10% of the country's power needs would be met by such sources by 2030.

Nuclear power is also likely to play a far greater role in meeting future power needs. While the NTP did not specify a target amount or percentage, it set a goal to incorporate nuclear energy into the national power mix and called for a 30% local content contribution.

Saudi Arabia is planning to build 16 reactors over the course of two decades – the first of which is due to come on-line in 2022 – at an estimated cost of \$80bn.

## **MECHANICAL, ELECTRICAL & PLUMBING**

Saudi Arabia represents a vital channel for growth at mechanical, electrical and plumbing (MEP). The impressive growth of the construction industry in the kingdom bodes well for the mechanical, electrical, and plumbing (MEP) services market, since it is considered an integral service within the construction industry.

## **AEROSPACE/AVIATION**

Saudi Arabia's aerospace and aviation sector is a dynamic industry due to the country's expanding population and increasing religious tourism. The Saudi Government is working to sophisticate and streamline the industry through infrastructure development, privatization initiatives, and market liberalization. Saudi government has a strategic plan to upgrade Existing Airports and Build 34 new Domestic Airports, and Set to Become Major Center for Aircraft Maintenance in the Middle East

## **WOODWORKING / FURNITURE**

Saudi Arabia's Furniture Industry, one of the most VIBRANT and FASTEST GROWING industries in the GCC;

- The furniture business of the Kingdom will develop at a CAGR of around 11% amid 2016-2020.
- Furniture consumption in Saudi Arabia is projected to grow at a CAGR of 10% during 2015-2019.
- Furniture imports value is anticipated to grow to 14% by 2017 making KSA one of the most attractive and buoyant interiors market in the Middle East.
- Over 120 upcoming major hotel projects to be completed by 2020.

The demand for wood products in the GCC is expected to witness unprecedented growth driven by the surging construction activity according to Ventures Middle East. Currently, all wood demand in the region is primarily met through imports due to lack of native forests in the GCC region, Saudi Arabia and the UAE as the two big markets for timber in the GCC region. A large population (28 million in 2013) in Saudi Arabia is generating self-opportunities for the country and between in 2015 KSA recorded a 24% increase in imports of softwood lumber, compared to the same period in 2014.

## **MANUFACTURING**

Saudi Arabia is the fastest growing country in the manufacturing sector with a predicted average year-on-year growth of 7.5 percent until 2018. Saudi Arabia's manufacturing sector is poised for significant growth in the sector, particularly in the field of technology, not only on a regional level, but on a global scale.

Continuous GDP growth, and improved business environment and more foreign direct investment are driving development a number of different manufacturing sub-sectors. The manufacturing sector delivers roughly 10 percent of Saudi Arabia's GDP, and it holds significant potential both in terms of its contribution to GDP and the ongoing diversification of industries.