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IN THIS EDITION ...

Saudi continues to expand its trade and economic ties with its international partners. Recently, King Salman bin Abdulaziz Al Saud's visited Russia, a few months after his landmark trip to countries across Asia.

During the visit, Riyadh and Moscow agreed to collaborate on a range of economic issues, including discussions on oil strategy, and proposals for joint investments in petrochemicals, energy, manufacturing and defence, among a whole host of other sectors.

The Russian visit comes hot on the heels of the annual Saudi-Chinese economic co-operation meeting, held at the end of August, where a plan was floated for a USD 20-billion joint investment fund. The fund was the latest in a string of proposed initiatives, as Saudi Arabia looks to enhance its relationship with the world's second-largest economy.

These landmark visits and co-operation agreements mark a new chapter in Saudi Arabia's relationship with key countries in its neighbourhood, and will likely lead to the development of new alliances, economic co-operation and trade flows that lay untapped for decades.

The closer Saudi-Russia ties should also boost oil markets, which have benefitted from co-operation between the two largest oil exporters in the world.

Led by the two oil powerhouses, OPEC and its non-OPEC allies have agreed on a 1.8 million bpd production cut. They have also managed to put a floor on oil prices and have helped reduce global inventories, which has now helped Brent crude prices edge near USD 60 per barrel.

Indeed, oil markets enjoyed a stellar September, rising around 10% during the month as OPEC's strategy to cut output began to impact oil markets.

The International Monetary Fund expects non-oil GDP growth to stand at 1.7% in 2017. This follows recent improvements in business confidence, the restoration of public employee allowances, and expected increases in government investment in the form of new construction contracts for infrastructure projects.

New infrastructure projects, along with greater international outreach, would give the Saudi economy a major boost, independent of oil markets.

ECONOMIC TRENDS

Inking deals with countries such as Russia highlights the government's commitment to cast its net wider in a bid to diversify investment sources.

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HEALTHCARE

Regional and international companies are stepping up efforts to modernise the country's healthcare service offerings by pumping capital into the sector.

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OIL AND GAS

Oil producers' decision to limit production has started to take effect, lifting commodity prices after a long sluggish period.

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MANUFACTURING

The kingdom is about to realise its industrial potential by producing military equipment locally, which will increase job creation and boost the manufacturing sector.

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PETROCHEMICAL

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SAUDI STRENGTHENS ECONOMIC DIVERSIFICATION EFFORTS

The recent visit to Russia of Saudi's King Salman bin Abdulaziz Al Saud underscores the kingdom's goal to expand its trade and economic ties across its neighbourhood. This has been in line with the government's Vision 2030 initiative, which aims to diversify the economy's trade and investment flows.

During the visit, Saudi Arabia's Public Investment Fund and Russian Direct Investment Fund agreed to work together on 25 projects in oil and gas, along with co-operation in shipbuilding and radio-electronics, aviation traffic with automation facilities, and navigation. It also seeks to explore joint developments in the area of monitoring and transport supervision systems. In addition, the two parties agreed to set up two joint funds worth USD 2 billion in the energy and technological sectors.

The major moves come as the government looks to stimulate the economy. The International Monetary Fund (IMF) expects non-oil growth to pick-up this year, but overall GDP growth will be close to zero given the decline in oil production.

"Growth is expected to strengthen over the medium term as structural reforms are implemented. Risks mainly come from uncertainties about future oil prices and how ongoing reforms will impact the economy," the IMF said in a report on the country in October.

"Over the medium-term, oil output is projected to grow by around 1% a year. While fiscal consolidation will remain a drag, the ongoing implementation of structural reforms is expected to see an acceleration in non-oil growth to around 3%," the organisation noted.

Preliminary data released on 30 September by the General Authority for Statistics (GaStat), places year-on-year economic growth in Saudi Arabia at-1% for the second quarter, based on a 1.8% contraction in oil GDP and 0.6% growth in the non-oil sector.

OIL SHRINKS BUT NON-OIL PUSHES AHEAD

The contraction in oil GDP on a year-on-year basis may persist as Saudi Arabia cuts its oil production in line with the OPEC/non-OPEC agreement in effect until March 2018.

According to data provided by Saudi Arabia to the Joint Organizations Data Initiative (JODI), oil production averaged 9.93 million barrels per day (bpd) in H1-2017 versus 10.46 million bpd in the first half of 2016, down 5.1%. The kingdom's agreed target under the OPEC/non-OPEC agreement is 10.06 million bpd.

However, upward revision in global demand could lift oil prices and boost the government's coffers.

Other economic data is also showing signs of improvement. Point of sales transactions jumped 10% year on year, while ATM withdrawals reached SAR 67.7 billion in August, the biggest value since May 2016, in a sign that consumer confidence was returning.

In addition, purchasing managers' index (PMI) data indicated strong growth in the non-oil private sector.

"Sharp expansions in output and new orders were key contributors towards the most recent improvement in operating conditions. At the same time, input price inflation continued to soften in the latest survey," according to Markit, which tracks PMI data across the world every month, including Saudi Arabia.

Companies also generally reduced their output charges to increase competitiveness. Meanwhile, employment continued to increase, albeit only marginally, Markit said.

While the IMF agrees that a large and sustained fiscal adjustment is needed in the coming years to continue to respond to the effects of lower oil prices on the national budget, a key question is how quickly this adjustment should take place, especially as the economy appears to be on the mend.

"In our staff's view, the strong fiscal buffers, the availability of financing, and the current cyclical position of the economy mean that rapid fiscal consolidation is neither necessary nor desirable," the IMF said. "Saudi Arabia has some fiscal space that can be used for a more gradual fiscal consolidation that balances the budget by 2022 rather than in 2019 as originally set out in the FBP (Fiscal Balance Program 2020)."

BOND MARKET

Saudi Arabian Monetary Agency's (SAMA) foreign reserve assets fell USD 6.8 billion in August compared with the previous month, but the recently announced international bond issuance, totalling USD 12.5 billion, should ease the pace of declines in foreign reserve assets.

Saudi Arabia returned to the international bond market this month in order to plug its twin budget and current account shortfalls. A total of USD 12.5 billion of dollar debt was issued, split into three tranches – USD 3 billion was sold at a five-year maturity, USD 5 billion at 10 years and USD 4.5 billion at 30 years. These were sold for yields of 3.01%, 3.76% and 4.66%, respectively, slightly higher than those the kingdom paid at its record-breaking USD 17.5 billion bond sale in October last year.

The proceeds from the bond sale should comfortably cover the country's external financing requirements and almost half of the government's budget shortfall over the next year.

Accordingly – notwithstanding further transfers to the new sovereign wealth fund – foreign exchange reserves are unlikely to fall much beyond their current level. The bond sale means that the government's debt-to-GDP ratio is set to rise to close to 20% this year, according to research consultancy Capital Economics.

PRIVATE SECTOR INVESTMENT GAINING GROUND IN SAUDI HEALTHCARE

Private sector companies are taking the lead in boosting the Saudi Arabian healthcare system, in response to the governments' effort to privatise the sector.

NMC Healthcare, the UAE's largest private healthcare provider, said in September that it is stepping up its expansion plans in Saudi Arabia, with a USD 40 million acquisition of two multi-speciality hospitals and two greenfield healthcare facilities.

The company, listed on the London Stock Exchange, marked its entry into the kingdom in 2016 with a 70% stake in As Salama Hospital in Al Khobar. NMC Healthcare said it will acquire a 60% stake in a new hospital in the southern city of Najran, and fully own a second hospital in the northwestern city of Ha'il.

NMC also plans to build a multi-speciality facility in the city of Al Khobar, and has received regulatory approvals for its proposed new long-term care facility, Chronic Care Specialty Medical Centre, in Jeddah.

"As one of the first foreign entrants into the KSA healthcare sector, we have learned a great deal over the past year and intend to use this knowledge to better navigate the Saudi regulatory landscape moving forward," said Prasanth Manghat, NMC's chief executive.

Other private sector investors are also using their cash to develop Saudi's healthcare infrastructure.
Recently, Anfas Medical Care (AMC) said it signed a USD 30 million deal with GE Healthcare to support AMC's new 120-bed specialty facility, which will cater to chronic pulmonary patients requiring long-term rehabilitation and intensive care.

The partnership with GE will drive significant value for patients, AMC and the Saudi healthcare sector. The hospital will be based in Riyadh and is set to open in 2018 in collaboration with Houston Methodist Hospitals.

"The comprehensive GE solution is a new approach for both the kingdom and the region's health sector, combining technology provision, equipment servicing and management under an innovative 'Managed Equipment Services' (MES) framework, which is designed to enable improved procurement planning, asset management and financing predictability," the companies said.

HEALTHCARE DRIVES REAL ESTATE

The surge in healthcare investment could help boost the GCC real estate market, especially Saudi Arabia, according to a new report.

Real estate consultant Jones Lang LaSalle (JLL), noted that new hospital requirements in Riyadh and Jeddah will stand at 15 and seven, respectively, by 2022.

"I think the opportunities for the [healthcare] real estate sector are probably bigger in Saudi Arabia than they are in the UAE and that's partially because of the size of the economy and partly because the healthcare sector is already heavily influenced by the private investors," according to Craig Plumb, the regional head of JLL.

"The short-term opportunities are in Saudi cities like Riyadh and Jeddah. The PPP [private-public partnership] law is also under way as well in the kingdom. It is work in progress," he added.

Saudi's Ministry of Health has already issued tenders to upgrade healthcare infrastructure across the country, especially as population rises, and citizens require more sophisticated healthcare services.

Indeed, opportunities abound in the sector, especially after the government's strategic move to allow 100% FDI in the pharmaceuticals sector to boost investments.

"The significant rise in lifestyle-related diseases and the developments in healthcare infrastructure are expected to influence the demand for pharmaceuticals in Saudi Arabia," according to research consultancy MedGadget, which tracks medical markets across the world.

In 2016, the Saudi Arabian pharmaceutical market procured medicines worth USD 5.21 billion, growing 6% year on year compared to 2015. The mounting demand for branded drug products will see an increase for medicine at a compounded annual growth rate (CAGR) of 9% until 2026, the research house forecasts.

In addition, Saudi Arabia's medical devices market is expected to reach around USD 3.87 billion by 2023, from USD 2.25 billion in 2017, growing at CAGR of 9.5%, MedGadget noted.

"The demand for pharmaceuticals in Saudi Arabia is expected to register substantial growth owing to the increasing penetration of health insurance companies and the rising incidence rate of non-communicable diseases," MedGadget said in its report.

With demand for healthcare rising, private equity funds and real estate investment trusts can be expected to lead investment, as they eye one of the most promising markets in the world.

OIL OUTPUT CUTS TAKE ROOT AS CRUDE PRICES RALLY

Brent crude prices surged a record 20% in the third quarter of 2017, as the strategic move by members of the Organization of the Petroleum Exporting Countries (OPEC) and their allies start to make a difference in the commodity market.

Brent enjoyed its strongest third-quarter performance since 2004, ending September at USD 57.54 per barrel.

Ten non-OPEC countries, co-operating with production cuts, achieved more than 100% compliance for the first time, as the strategy took hold. The Joint OPEC-non-OPEC Ministerial Monitoring Committee (JMMC), which tracks the group's 1.8 million barrel per day (bpd) production cut pledge that was agreed in June, said compliance in August stood at 116% — the highest on record.

OPEC's own production fell in August by 210,000 bpd from a 2017 high in July as flows from Libya faltered due to renewed unrest and output from other producers eased. This has been the group's first production decline since March, after all 14 members lowered their output to 32.67 million bpd, according to estimates by the International Energy Agency (IEA).

"Supply eased from those bound by the output agreement, with slightly lower flows from Saudi Arabia, the UAE, Gabon, Venezuela, Iraq and Algeria. Average adherence for 2017 was 86%, robust by historical standards," the IEA said.

Saudi Arabia turned in an eighth straight month with compliance above 100%, as supply slipped in August. Production inched up in Angola and Iran, which received a slight increase under the OPEC agreement.

Overall, global oil supply declined by 720,000 bpd due to unplanned outages and scheduled maintenance, mainly in non-OPEC countries, taking total supply to 97.7 million bpd. Compared to a year ago, output was up 1.2 million bpd as non-OPEC producers continued to show substantial growth, IEA data shows.

RISING DEMAND

While OPEC's decision to curtail supply was effective, oil prices also rose on the back of strong global demand, which grew 2.3 million bpdy, or 2.4% higher in the second quarter, compared to the same period last year.

In addition, excess inventories are also draining out of the system.

"Commercial oil stocks in the OECD fell further in August and the difference to the latest five-year average has been reduced by 168 million barrels since the beginning of this year, however, there remains another 170 million barrels of stock overhang to be depleted," according to OPEC's JMMC. "Supported by the improving forward structure in the futures market, floating storage has also been on a declining trend since June."

Indeed, Brent crude oil prices have gone from strength to strength as surplus oil stocks are being depleted. Importantly, this rally is supported by a tighter physical market, providing a fundamental backbone that was not present before.

A shift to backwardation in oil markets has been one of analysts' highest conviction calls in the past year. Strong petroleum product markets are leading the charge, and most are trading in backwardation as inventories have fallen progressively. Hurricane Harvey on the Gulf Coast has only exacerbated a tightness in product markets that was already visible in prior months.

SHALE OVERHEATING

Meanwhile, the much-vaunted US shale plays are also showing signs of cracking.

Robert Clarke, research director for Lower 48 Upstream at Wood Mackenzie, noted that while technology gains in the past few years have propelled US shale plays, such as the Permian well performance, to new levels, the industry is testing shale's geological limits.

"It is very likely that the upcoming level of activity will introduce a new set of issues, particularly reservoir deliverability."

As markets work through their challenges, Saudi Arabia and Russia also signed a number of agreements aimed at long-term co-operation in the energy sector. Saudi Aramco's CEO Eng. Ameen bin Hussein Al-Nasser signed five memorandums of understanding with Russia's largest energy company on the sidelines of the Saudi Russian Investment forum.

The MOU paves the way for Saudi Aramco to enter a new era of obtaining an added value in the northern hemisphere zone.
Aramco also signed another MOU with Gazprom, Russia's gas giant, enabling the Saudi company to develop a rich portfolio interested in gas excavation and production.

A third agreement was signed between Aramco and Swiss company Litasco, the international promotion and trade arm of Lukoil, one of Russia's largest oil companies. Another MOU was signed with Russia's Direct Investment Fund and Sebor for strategic marketing for petrochemicals.

LONG-TERM GROWTH

Despite the rise of renewable energy, the global oil sector will continue to play a dominant role in energy markets, according to the latest report by the Energy Information Administration (EIA), the US Department of Energy's statistical unit.

The EIA's base case assumes that OPEC will invest in production capacity to maintain a 39% to 44% share of total world liquids production through 2040, consistent with their share over the past 15 years.

"Increasing volumes of crude oil and lease condensate from OPEC producers contribute 10.3 million bpd to the total increase in world liquids production, [while] crude oil and lease condensate volumes from non-OPEC countries add 1.6 million bpd," the EIA said in its annual outlook in September.

Middle East countries will also lead the way in developing their natural gas resources, producing another 11.4 trillion cubic feet of natural gas by 2040, according to EIA forecast.

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SAUDI'S METRO PROJECTS ON THE FAST TRACK

The USD 3.2 billion contract to develop the Makkah Public Transportation System is a landmark investment programme that would upgrade the Holy City's public transportation facilities and help alleviate congestion in the metropolis.

Prince Khaled Al Faisal, emir of Makkah and president of the Makkah Development Authority, signed the contract with Jeddah-based Saudi Nesma company and the Spanish transport company Technical Construction Company (TCC) in October.

According to the contract, the consortium will start operating the Makkah public transport system 18 months from now. The contract includes supply, operation and maintenance of 400 buses for a period of 10 years. Of these, there will be 240 ordinary buses, each with a seating capacity of 40, and 160 articulated buses, each with a seating capacity of 60.

The first phase of the bus network will consist of 12 lines along a length of 300 kilometres, featuring seven local lines with 83 stations, while the remaining five are fast lanes spanning 172 km and 342 stations, using large articulated buses.

The contract also includes construction of maintenance centre with an area of 220,000 square metres, which includes the control and operation centre for buses, workshops and warehouses required for regular maintenance work; offices for the staff and workers responsible for operation and maintenance; shelter for the bus fleet; and private accommodation for drivers.

The project is related to the larger USD 16.5 billion Makkah's Mass Rail Transit, which will serve to address the travel needs of millions of people who come to Makkah each year to perform Hajj and Umrah, in addition to its 1.7 million local residents. Once complete, the integrated transport network will include four metro lines covering 180 km and serving 88 stations. The metro will be connected to the public transportation system.

ONGOING METRO PROJECTS

A number of rail and metro projects are in the pipeline this year. The Saudi Railways Organisation (SRO) began the first complete trial run of the Haramain High-Speed Rail early in 2017. It connects Jeddah to Madinah in just 90 minutes, at speeds of up to 330 km per hour.

In August Bashar Al Malik, chief executive of Saudi Railways Company

(SAR), announced the company's intention to invite the private sector to build and operate the USD 7 billion, 958-km Saudi Landbridge project connecting Riyadh to Jeddah, and set to begin in early 2018.

"Given the significant increase in passenger and freight capacity planned for the coming years, coinciding with the projected rise in demand for rail services, promoting private sector involvement could offer sizeable opportunities to service providers and logistics operators," according to the Oxford Business Group.

Meanwhile, the USD 22.5 billion Riyadh metro is in progress, featuring 176 km of track across six separate lines, and complemented by an extensive bus network. In August the project was expected to be 57% completed and will be open by the end of 2018.

TRANSPORT ALLOCATION

Saudi Arabia has allocated SAR 52.16 billion for infrastructure and transport projects in the 2017 fiscal year, up 39% from actual expenditures for the sector in the previous fiscal year.

The Ministry of Transport has also finished projects to the tune of USD 1 billion across the kingdom. It has completed 108 km of highways, 907 km of double roads, 659 km of single roads, 809 km of agricultural roads, 35 upper intersections and one tunnel so far this year, as part of the country's effort to create a world-class transportation and logistics infrastructure system.

Saudi Arabia has been ramping up project contracts this year, with USD 11 billion awarded in the first quarter alone, and another USD 5 billion in the second quarter, according to project consultants Faith + Gould.

The General Aviation Civil Authority (GACA) has so far awarded five airports (King Khalid Riyadh terminals upgrades, Qassim, Hail, Taif and Yanbu) in 2017 at an estimated USD 4.9 billion, making them the standout client in Saudi Arabia in 2017 with nearly 30% of awards by value year to date.

"Numerous other schemes are still to come to market or be awarded as GACA commences the process of privatising several of its key assets. The growth in this sector is driven by solid commercial fundamentals. Demand is expanding from a growing, young population that is increasingly demanding connectivity," Faith + Gould said in a report.

DEFENCE DEAL TO BOOST SAUDI MANUFACTURING SECTOR

Saudi Arabia's ambitions to manufacture its own defence equipment and develop a home-grown industrial defence complex will soon be realised. In October, the Saudi Arabian Military Industries (SAMI) signed a memorandum of understanding with JSC Rosoboronexport, Russia's state company, for exporting military products to manufacture military equipment in the kingdom.

Under the agreement, SAMI will benefit from "contracts for the supply of military systems and a memorandum of understanding for the transfer and settlement of technology of those systems," according to the Saudi Press Agency.

The development of a robust industrial complex is a key plank of Saudi Vision 2030, which was laid out last year by His Royal Highness Mohammad bin Salman, the crown prince, deputy prime minister and minister of defence.

"The benefits of localising our own defence industries are not limited to solely reducing military spending. It also stimulates other industrial sectors, such as industrial equipment, communications and information technology, which in turn creates more job opportunities," according to the Saudi Vision 2030 document.

The government aims to localise over 50% of military equipment spending by 2030, and has already begun developing less complex industries such as those providing spare parts, armoured vehicles and basic ammunition.

"We will expand this initiative to higher value and more complex equipment such as military aircraft. We will build an integrated national network of services and supporting industries that will improve our self-sufficiency and strengthen our defence exports, both regionally and internationally," the Vision 2030 manifesto stated.

During King Salman bin Abdulaziz Al Saud's recent visit to Russia, officials of both countries agreed to collaborate on industrial projects, including petrochemicals and energy.

On the sidelines of the meeting, Eng. Khalid bin Abdulaziz Al-Faleh, Saudi's minister of energy, industry and mineral resources, signed a joint roadmap for co-operation of the Saudi-Russian Joint Governmental Committee, with the Russian minister of energy Alexander Novak. The meeting was attended by officials from Aramco, Ministry of Energy, and a number of Russian energy companies.

"The two ministers agreed to expand the fields of oil and gas co-operation to co-operate in all renewable energy sources, such as solar and nuclear energy through the localisation of industries, attracting investments and exchanging experiences in the interest of the Kingdom, contributing to the development of local industry and reducing their costs using expertise," the Saudi Press Agency noted.

BUILDING MANUFACTURING BASE

Saudi Arabia's industrial sector is promising, but requires support from larger companies and the public sector. The General Authority of Statistics (GaStat) shows just over 104,000 manufacturing entities exist in the country.

More than 31,000 of the industrial establishments were focused on making apparel, around 20,000 produce fabricated metal products, below 12,000 were involved in repair and installation of machinery and equipment, and more than 11,000 were involved in manufacturing food products.

Overall, the industry employs more than 959,000 workers, of which 228,000 were Saudi nationals, GaStat data shows.
In a bid to encourage industrial entrepreneurs, some of Saudi Arabia's largest companies have developed the In-Kingdom Total Valued-Added (IKTVA) programme.

Saudi Aramco launched the programme at the end of 2015 in a bid to source majority of materials, goods and services it uses in boosting its competitiveness and business efficiency.

According to the company, IKTVA is underpinned by mandatory 'local content development' of suppliers and contractors, which means prioritising the purchase of goods and services from a local supplier base.

"Three critical objectives guide the programme: doubling the percentage of locally manufactured energy-related goods and services to 70% by 2021; helping raise the export of Saudi-made energy goods and services to 30% over the same time frame; and, creating direct and indirect jobs within the energy-related sector for a growing and talented Saudi population," Aramco said.

In September, Aramco gave its local supply chain, through its IKTVA programme, a significant boost with the signing of a memorandum of understanding (MoU) with one of its key partners, Kellogg Brown & Root Limited (KBR). The programme will enable the company to achieve at least 70% of its procurement spending within the kingdom's supply chain by 2021.

Such initiatives are vital to encourage the next wave of competent Saudi manufacturing companies.

SAUDI PETROCHEMICAL PROJECTS SURGE BACK TO LIFE

The petrochemicals sector may be weathering an era of volatile product prices, but Saudi and GCC petrochemical producers continue to pursue projects that will position them for future growth.

This year saw the completion of phased start-ups of a major petrochemical complex in Saudi Arabia: the massive Sadara Chemical complex at Jubail, a project being developed by Saudi Aramco in partnership with Dow Chemical Co.

The Gulf Petrochemicals and Chemical Association (GPCA) estimates that over the past 18 months, as many 11 projects have been unveiled in the GCC states, of which eight were in Saudi Arabia alone.

These include Saudi Arabian Mining Company's (Ma'aden) 3-million-tonne-per-annum (mtpa) expansion project, as it taps phosphate resources in the country's northern region, which makes up 7% of the world's phosphate reserves. The project, expected to be completed in 2024, is going to be built at an investment of USD 6.4 billion.

Pan-Asia PET Resin (Guangzhou) Co., one of China's major polyethylene terephthalate (PET) bottle suppliers, is also expected to break ground at a new USD 3.8 billion petrochemicals plant in Saudi Arabia's Jazan Economic City in March 2018.

The plant will feature output of 2.5 million metric tonnes of purified terephthalic acid, 1 million tonnes of PET, 200,000 tonnes of engineering plastic, 200,000 tonnes of thin film, 200,000 tonnes of polyester fibre, and 5,000 tonnes of heavy equipment, according to GPCA.

CHEMICAL OUTPUT ON THE RISE

The region's chemical production rose 6% in 2015 and another 3.7% in 2016, reaching total capacity of 150 mtpa, with Saudi Arabia accounting for two-thirds of GCC chemical capacity.

"In terms of recent new capacity, 2017 has witnessed the start-up of plants at Ma'aden, for ammonia and diammonium phosphate (DAP); at Ibn Sina, for polyacetal; and at Saudi Methacrylates, the SABIC/Mitsubishi joint venture, for methyl methacylate and polymethyl methacrylate. Additionally, Saudi Aramco boosted benzene and paraxylene capacity at its Jazan refinery complex," GPCA noted.

The growth comes after a series of capacity additions and new plants such as the synthetic elastomer capacities commenced by Kemya, a SABIC/ExxonMobil Chemical joint venture, in Jubail; and butanol

capacity in Saudi Arabia by Saudi Butanol Company (SaBuCo), a joint venture between Sadara, Saudi Kayan Petrochemical and Saudi Acrylic Acid Company.

The expansion projects will likely continue as Saudi Arabia leverages its oil and gas resources to expand its oil and petrochemical product portfolio.

Saudi Aramco is also looking to effectively triple chemicals capacity to 34 mtpa by 2030, from 12 mtpa in 2016. Aramco and SABIC are progressing an oil-to-chemicals joint venture complex. This, says Aramco, will vastly increase the feedstock position and move beyond the basic chemicals that Saudi Arabia has so far concentrated on.

The two companies are tendering for the engineering work on the proposed USD 20 billion project, to be built at either Yanbu or Jubail. Chemical units will include a mixed feed cracker, as well as polyethylene, polypropylene, butadiene and aromatics recovery units.

AIMING FOR SUSTAINABLE GROWTH

In addition, Saudi companies are exploring opportunities in a number of nations across the world.

In June, SABIC signed a memorandum of understanding (MoU) with Kazakhstan United Chemical Company to study the development of a petrochemical complex.

SABIC, the region's largest company by market cap, also inaugurated a new polypropylene (PP) pilot plant in Geleen, the Netherlands, and announced new investment in a state-of-the-art PP extrusion facility to be built at the same location.

"In times of change, organisations have two options: drive or be driven," said Yousef Al-Benyan, SABIC vice chairman and CEO. "At SABIC, we have a long-term vision to drive sustainable success for our customers and we work constantly to create and deliver innovative solutions that answer their challenges. It's about innovative thinking, extending and improving our portfolio, and – as we are showing here today – investing in technology and innovation."

Meanwhile, Aramco has entered into a strategic partnership with Petronas Chemicals Group Berhad (PCG) to purchase a 50% stake in the petrochemicals projects within the Petronas Pengerang Integrated Complex (PIC) in the southern Malaysian state of Johor.

According to Said Al-Hadrami, Saudi Aramco VP international operations, the agreement strengthens Saudi Aramco's position and growth in South East Asia through crude supply and world-scale downstream operations.

"Through this venture, we will also achieve a high degree of integration between refining and petrochemicals, with petrochemicals production greater than 10% of crude intake," he said. "It is also in tandem with our downstream growth strategy where we are investing in a global refining and petrochemicals system of strategically located world-scale manufacturing complexes with participated refining capacity of several million barrels per day."

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