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Business Insight

August 2019 Issue 8. Vol. 5

IN THIS EDITION ...

The latest International Monetary Fund (IMF) report on Saudi Arabia offers more praise and encouragement for the kingdom's economic reforms.

The IMF executives said they were commending the Saudi authorities for their push in implementing their economic and social reform agenda, including the introduction of the value added tax and energy price reforms, noting that the reforms have started to yield results and that the outlook for the economy is positive.

A more muted outlook for the global economy and oil prices means that Saudi authorities must persist with prudent macroeconomic policies and appropriate prioritisation of reforms, which will be key to promoting non-oil growth, creating jobs for nationals, and achieving the objectives of the authorities' Vision 2030 agenda.

Central to the development of the non-oil economy is nurturing of Saudi workers, helping them to acquire skills for the private sector.

"They (the IMF directors) emphasised the need to ensure that wages and productivity are well aligned and that labour market policies should focus on setting clear expectations about the limited employment prospects in the public sector, strengthening education and training, and increasing female employment."

The IMF expects the kingdom's real non-oil growth to strengthen to 2.9% this year amid government spending and private sector activity and as ongoing reforms take hold.

"The fiscal deficit is projected to widen to 6.5 of GDP in 2019 from 5.9% of GDP in 2018 as spending is projected to increase and exceed the budgeted amount and offset an increase in non-oil revenues. The deficit is then projected to decline to 5.1% of GDP in 2020," the IMF said.

With the Saudi Arabia Monetary Authority cutting interest rates to match the US Federal Reserve's rate cut, the economy should receive more stimulus amid monetary easing. With other central banks around the world also cutting rates, the move should be supportive of oil prices, too.

ECONOMIC TRENDS

Positive readings in the kingdom's data point to an economy with a widening surplus and narrowing deficit, as fiscal reforms gain ground.

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PETROCHEMICALS

The country's petrochemicals industry continues to attract foreign capital and post strong corporate earnings despite rising global risks.

Read More...

FOOD

A growing preference for healthy diet, organic food, online delivery, and casual dining is transforming the country's food and beverage landscape.

Read More...

TADAWUL

Transformative policies have paved the way for Saudi stock market to be included in global equity indexes.

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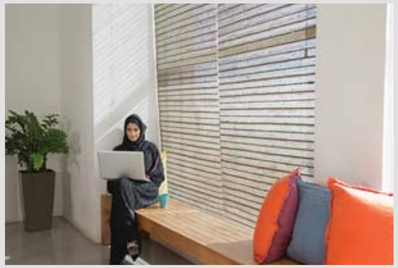

SME

The government's new policy is expected to lure foreign investors and entrepreneurs to the kingdom's shores and boost private sector growth.

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TOURISM

Huge investments are pouring into several tourism projects in the country as the government builds up efforts to attract international travellers.

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INTEREST RATES CUT BODES WELL FOR SAUDI ECONOMY

Saudi Arabia moved swiftly to cut interest rates after the US Federal Reserve slashed its rates by 25 basis points (bps) at the end of July.

The Saudi Arabia Monetary Authority (SAMA) lowered its repo rate from 300 bps to 275 bps, and reverse repo rate from 250 basis points to 225 basis points with immediate effect. As the Saudi riyal is pegged to the US dollar, any change in the US interest rate necessitates a corresponding change in Saudi monetary policy.

The rate cut should ease the investment environment and boost consumption in the kingdom and the wider world as a number of central banks have also cut rates to boost growth.

The stimulus comes amid news that Saudi Arabia's current account surplus widened by 25.1% year on year in the first quarter of 2019, to USD 11.5 billion, according to data from the country's statistics authority. The value of non-oil exports grew by 2.1%. However, with imports also rising, the trade surplus was broadly unchanged year on year and sharply lower than in the previous quarter, the General Authority for Statistics (GaStat) said.

Meanwhile, the country's budget deficit in the first half of 2019 contracted to SAR 5.7 billion, compared to SAR 41.7 billion in the same period last year, according to the Ministry of Finance. Total revenues increased by 15% while total expenses rose by a more moderate 6%, as the government attempts to rationalise spending.

"The results of the first half of the year confirm the effectiveness of the financial and structural reforms implemented by the government, including diversification of government revenue sources through the implementation of initiatives aimed at increasing non-oil revenues, as well as development of public financial management to raise the efficiency and effectiveness of spending, which recently included the approval of the Government Procurement Law," the Ministry of Finance said in a report. "The results, also, reflect the progress in executing development projects according to the Saudi Vision 2030."

POSITIVE INDICATORS

Non-oil revenues rose by 14.4%, on the back of increased economic activity and new reform initiatives. The ministry's preliminary data shows tax revenues on goods and services soared by 48% as a result of the increase in revenues generated from value added tax and expat fees. Trade and international transactions increased by 10%, while oil revenues also saw a 15% jump as efforts by the kingdom and its allies to manage oil production pays off.

"On the expenditures side, social benefits and employees' compensation increased by 3% each, compared to the same period last year. Subsidies were more than doubled as a result of the implementation of the private sector stimulus plan," the ministry said.

"The period witnessed a continued increase of spending on social protection programmes such as Citizens' Accounts, social security, cost-of-living allowance and student bonuses. Spending on health, social development and municipal services increased by 13% and 22%, respectively."

Equally crucial, capital expenditure surged by 22% as the government rolled out housing and other development projects.

The internal and external borrowing during the first half of the year amounted to about SAR 67.9 billion, which will be used to finance part of the expected deficit until the end of the year. The debt balance as at the end of June 2019 amounted to SAR 627.8 billion.

LOCAL ECONOMIC DRIVE

A key component of the economy is continued investment in the oil sector, and its focus on including Saudi companies in the procurement process. In July, Saudi Aramco, awarded 34 contracts worth USD 18 billion to 16 companies for engineering, procurement and construction (EPC) work on projects to expand oil production at the offshore Marjan and Berri fields, located in the Gulf, by a combined 550,000 barrels per day.

The company noted that 50% of contracts are being awarded to Saudi Arabian companies, increasing the share of locally sourced materials.

"Contractors working on these projects are required to maximise the procurement of material and equipment from local suppliers and manufacturers to help achieve Saudi Aramco's In-Kingdom Total Value Add Program (IKTVA) goals, which aim to increase the company's locally sourced goods and services to 70% by 2021," Aramco said. "The projects are expected to create thousands of direct and indirect jobs, supporting Saudi Aramco's efforts to localise and create new job opportunities."

The economic stimulus are important as the global economic outlook remains muted, and governments need to boost fiscal stimulus.

Markit's latest purchasing managers index shows business conditions continued to improve across Saudi Arabia's non-oil private sector in July.

"However, slower increases in output and new orders, alongside a further weakening in business confidence, underlined a generally softer start to the third quarter," the business intelligence firm said in its monthly report.

Firms that reported higher business activity often linked this to a sustained upturn in new orders. July marked the 15th month in a row in which an increase in new work has been recorded.

An area where the survey pointed to improvement was exports, which continue to show signs of recovery following a moderate few years, Markit said.

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SAUDI PETCHEM UNDAUNTED BY TRADE UNCERTAINTY

The Saudi Arabian petrochemical industry received a big foreign investment boost in June, when the UK-based INEOS signed a memorandum of understanding with Saudi Aramco and Total ASA of France to build three new plants as part of the Jubail 2 complex in the kingdom.

The state-of-the-art 425,000-tonne acrylonitrile plant will use INEOS' world leading technology and catalyst. It will be the first plant of its kind in the Middle East when it starts operation in 2025.

INEOS will also build a 400,000-tonne LinearAlphaOlefin (LAO) plant and associated world-scale PolyAlphaOlefin (PAO) plant. These units will be the most energy efficient in the world when they begin production in 2025.

"This is a major milestone for INEOS that marks our first investment in the Middle East," said Jim Ratcliffe, chairman of INEOS. "The timing is right for us to enter this significant agreement in Saudi Arabia with Saudi Aramco and Total. We are bringing advanced downstream technology which will add value and create further jobs in the kingdom."

The new investment taps into the growing global demand for acrylonitrile, as well as for lighter, stronger, energy efficient materials such as ABS filament, composites and carbon fibre.

"This first investment in the Middle East consolidates our position as the market leader and shows a clear and ongoing commitment to meet our customers' needs wherever they are in the world," said Joe Walton, CEO, INEOS Oligomers.

SABIC'S STRONG OPERATIONS

Saudi Arabian Basic Industries Corporation's (SABIC) second quarter earnings declined 17% to SAR 35.78 billion in the second quarter of 2019 compared to the same period last year, while net income during the quarter amounted to SAR 2.12 billion.

"The slowdown in global GDP growth coincides with a decline in petrochemical prices due to a significant increase in new supply capacity resulting in lower product prices and margins in key product lines," said Yousef Al-Benyan, SABIC vice chairman and chief executive officer.
While the results were impacted by lower petrochemical prices, SABIC's operational performance remains robust, prompting the company to continue investing for growth.

"We recently received all the regulatory approvals to increase our stake in Ar-Razi, the world's largest methanol complex, to 75% and renewed our partnerships with Japan Saudi Arabia Methanol Company (JSMC) for a further 20 years. Also, we obtained all approvals to establish a petrochemical joint venture project with Exxon Mobil in the US Gulf Coast," Al Benyan said.

Also during the second quarter, SABIC signed a memorandum of understanding to scope a new solar PV-based power plant in Yanbu Industrial city, which could have a potential capacity between 200 to 400 megawatt (peak). This project would be the kingdom's first largescale renewable energy project built for and by the private sector.

"The initiate aligns with SABIC's wider sustainability efforts and in June the company launched its Sustainability Roadmap, which is allied to the United Nations Sustainable Development Goals (SDGs). This plan outlines SABIC's targets relating to resource efficiency, climate change, the circular economy, food security, sustainable infrastructure, and preservation of the environment," the company announced.

RISING SUPPLY

The global petrochemicals sector is facing higher supply and lower demand in the near term.

A new report by ICIS notes that Asia's methanol, benzene and mixed ethylene market is expected to tilt towards the downside in the next six months due to a combination of rising supply and geopolitical trade tensions.

"Polypropylene (PP) prices in the Middle East are likely to be impacted by a surge in Asian supply in the second half of the year, despite limited change in supply conditions within the region, ICIS reported.

While the long prospects of the petrochemicals sector remain on solid footing, trade tensions will see further deceleration in global trade, which will impact the Chinese economy and dampen petrochemical product demand in the interim.

The International Monetary Fund (IMF) said in July that economic growth in China is expected to moderate to 6.2% in 2019 and 6.0% in 2020, as uncertainty and risks around trade tensions remains high.

The expected growth for 2019 was lower than the previous forecast of 6.3%, but within China's own target of 6.0% to 6.5%, which will impact demand for polyester, and prices of naphtha and monoethylene glycol (MEG) – key petrochemical products. Rising capacity across Asia and the Middle East should also keep prices in check.

CHANGING FOOD HABITS SHAKES UP SAUDI'S F&B MARKET

Saudi food consumption habits are changing, compelling the country's major food and dairy producers and grocers to alter their product line-up. This trend has also offered opportunities for new players to grab a slice of the market.

Retail was among the sectors the Saudi government has deemed eligible for 100% foreign ownership, which will likely impact sector's investment landscape.

According to Market Research, the kingdom accounts for 50% of the entire food and beverage sector in the Gulf, making up USD 18.2 billion in value in 2018.

Revenue for the online food delivery segment reached USD 878 million in 2018 and is expected to grow at CAGR of 19.4% to reach USD 1.7 billion by 2022, with 70% of the total orders made by teenagers.

"The F&B market trends in Saudi Arabia is predicted to boom for health foods, online food delivery, food packaging and revolution, rise of e-commerce and increase in promotion pressure," Market Research said in a report. "The country's F&B market is booming for healthy foods with rising monthly healthy meals subscriptions and special healthy shops, including the increase of organic foods, gluten-free and high-protein foods' popularity."

COMPANIES BUCK THE TREND

The rising food and dairy consumption was evident in the results of key corporations. Savola Group, one of the country's largest food companies, said its first quarter sales grew 5% year on year.

"Implementation of turnaround initiatives and overall improvement in consumer confidence improved retail business performance significantly in Q12019," Savola said.

First-quarter revenues clocked in at SAR 2.7 billion, witnessing year-on-year growth of 12.3% driven primarily by double-digit growth in like-for-like revenues, and high single-digit growth in customer count and basket size.

Savola also issued a SAR 1 billion sukuk successfully in July, which was oversubscribed 1.6 times, the company said in a statement to Tadawul.

Abdullah Al-Othaim Markets, which remains the leading supermarket with an expanding network, opened 30 branches, taking the number of outlets across the kingdom to 214 at the end of last year.

"Some existing branches have been expanded and the development in order to provide better service to its customers. The company is planning to increase the number of branches in 2019, by opening 28 new branches, which is expected to contribute in increasing the company sales and market share and promote the introduction of new and advanced technologies in the retail trade," the company said in its annual filing.

Another key growth area is the surging popularity of speciality foods, such as vegan diets, juices, superfoods and organic foods and vegetables.

"With demand for niche products developing, new players opening supermarkets aimed to sell organic and healthy foods," according to Euromonitor. "Natureland, Qaf Store, Nutrition Corner, Organica, Abazeer and Watania Agri are some of the major supermarkets targeting niche segments. Customers often search for health and nutrition bars, chia seeds, and organic apple cider vinegar in these stores. Most of the items sold are imported but growing demand has led to the development of private label by several local players such as Abazeer and Watania Agri."

RESTAURANT BUSINESS

A key area of growth is the restaurant business, especially as Saudi Arabia unveils its Vision 2030 programme, which centres around upgrading Saudi lifestyles, improving fitness levels, and creating entertainment and leisure venues.

A key component of these offerings will be new restaurants and food outlets, which already are forecast to reach USD 31.6 billion by 2024, growing at a CAGR of 5.9% during its 2019-2024 forecast business, according to Mordor Intelligence.

"Growing demand for home delivery and foodservice providers is expected to drive the market. Increasing health consciousness and growing rate of obesity among the Saudi Arabian population is challenging the market," Mordor Intelligence wrote in its report.
"Companies are coming with new and innovative healthy food with organic and natural ingredients in an attempt to overcome the challenges faced by the players in the industry."

The industry is seeing an influx of fast foods and casual dining outlets, as well as chained consumer food with international brands such as Applebee's, Outback Steak House, Chili's, and TGI Fridays, but there are opportunities for home-grown chains as well.

"A new investor still has vast potential to enter this space as it is positively influenced by three major factors, namely higher disposable income, global exposure and limited sources of entertainment, together with the ever-increasing number of malls in the country," the intelligence firm said.

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THE PATH TO REFORM LOOKS REWARDING FOR TADAWUL

The Saudi stock market and the Capital Markets Authority have had a landmark couple of years with a spate of reforms that led to Tadawul's inclusion to MSCI Emerging Market, FTSE Russell and S&P Dow Jones Indices (S&P DJI), the leading providers of global equity indexes.

"We embarked on a new five-year strategic plan in 2018. It is built on a structure comprising seven strategic pillars, under which are 28 initiatives. Within the first year, we embarked on implementing the majority of these initiatives and are making sound progress," said Sarah Al-Suhaimi, chairperson of Tadawul.

Inclusion of Saudi Arabia into the FTSE Russell Emerging Markets (EM) index will occur in five tranches over the next 12 months, the first of which was completed on 18 March 2019. This initial tranche of 25% will be split over March and April this year (10% and 15%, respectively) to ensure a smooth transition. The remaining 75% will be implemented in conjunction with quarterly reviews in June 2019, September 2019 and March 2020, Tadawul announced.

The Saudi stock market was also included in the S&P Dow Jones Emerging Market Indices' (DJI) Global Benchmark Indices (BMI) starting on 18 March 2019 with the first of two phases. The second phase will be

completed in September 2019. Saudi Arabia is eligible for inclusion at 50% of float-adjusted market capitalisation (FMC) in March, and at 100% of FMC on 23 September 2019.

"Saudi Arabia's recent move in our country classification to emerging market from stand-alone is a result of an ongoing consultation with market participants," said Alex Matturri, CEO at S&P Dow Jones Indices. "It reflects the strong consensus among members of the global investment community and recent positive market structure reforms that support foreign investment in the country."

REGULATORY REFORMS

CMA has been on a reformation drive over the past few years, and has implemented a number of enhancements that paved the way for index inclusion.

"The inclusion into these pre-eminent indices is a testament to growing investor confidence in the Saudi market and reflects the successful implementation of far-ranging capital market reforms in line with the Financial Sector Development Program (FSDP) and Vision2030 that have further enhanced the accessibility of Tadawul to international investors," said Khalid Al Hussan, CEO of Tadawul.

The Saudi stock market has enjoyed significant attention from major institutional investors who are eyeing opportunities emerging from the kingdom's Vision 2030 drive.

The Tadawul company enjoyed a stellar 2018, with gross profit rising 14% to SAR 285 million, operating revenue up 6.9% to SAR 583 million in 2018, while operating profits surged 29.2%, as the Tadawul All Shares Index (TASI) grew 8.3% for the year.

Tadawul's annual report for last year highlights the rise in the number of qualified foreign investors (QFIs) from around 100 at the start of the year to almost 500 at the end, an increase of 400%.

Capital inflows between USD 40 billion and USD 50 billion are expected this year due to the upgrade to emerging market status and the rapid growth in QFIs, Tadawul said in its annual report.

Total market capitalisation rose due to increase activity and the addition of 12 new listings, taking the total number of listed companies to 190.

Other investment-friendly reforms included the launch of a Securities Clearing Centre Company (Muqassa) and the MSCI Tadawul 30 (MT30) index, paving the way for the introduction of derivatives, one of the initiatives under the Financial Sector Development Program (FSDP) in the kingdom's Vision 2030.

There are a slew of initiatives under way that will upgrade Tadawul's systems and create a world class financial services infrastructure.

"A development which is on the cards for the second half of 2019 is the launching of the derivatives market; initially the introduction of index futures to be followed by options and other derivatives," said Al Hussan.

"The Post-Trade Technology Agreement with NASDAQ will take Tadawul's technology to the next level by replacing the legacy registry, depository and risk management system. This will enable a new counterparty clearing system, facilitate the introduction of new asset classes, and smoothen the process of offering new services to investors."

SME STOCK MARKET

The Capital Markets Authority has also raised the secondary exchange, the Nomu Parallel Market for small and medium-sized enterprises.

In a bid to encourage SMEs to take the first step to a public listing, the Tadawul will implement structural changes in two phases. Changes in the first phase include provisions to allow direct listings on Nomu Parallel Market without an initial public offering, easier reporting requirements, establishing access mechanisms by applying minimum liquidity threshold, and introducing Nomu Capped Index.

The second phase will see listing of closed-end funds and real estate investment trusts (REITs) on Nomu, introducing volatility guards and independent research.

The Tadawul is just getting started and has identified 29 initiatives under the seven strategic pillars. These include expanding asset class, developing comprehensive market information and analytics, encouraging more Saudi companies to list, establishing a counterparty clearing house, upgrading technology and operations, diversifying investor base and building an agile, digitised and business-oriented organisation.

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SAUDI'S NEW SCHEME SETS STAGE FOR INNOVATIVE START-UPS

A new scheme that grants residency permit to qualified expatriates should go a long way in attracting leading global entrepreneurs, innovators and investors in Saudi Arabia.

"Our aim is to attract innovators from across the world to live and work in Saudi Arabia – and this reform will play a significant role in doing so," said Eng. Ibrahim Al Omar, governor of the Saudi Arabian General Investment Authority (SAGIA). "These investors and entrepreneurs will help to drive the private sector growth, which is needed to realise the ambitious goals set out in Saudi Vision 2030."

The residency permit will enable expatriates in Saudi Arabia to gain access to a range of additional privileges alongside their residency, including allocating visas for their families and enabling them to own real estate in the kingdom. There will be two separate forms of the programme, one acting as a permanent residence permit, and another that is renewable on an annual basis.

"It is important that stakeholders understand that Saudi Arabia offers significant long-term opportunities," said Eng. Al Omar. "We want to attract people who will build a foundation and a network in Saudi Arabia, and who will play a role in the future development of the Saudi economy and benefit from the growth opportunities it presents. We believe that this reform will make a real difference."

In the past year, SAGIA also launched a specialised Entrepreneur License, which allows international entrepreneurs to launch a fully foreign-owned start-up company in Saudi Arabia. These recent reforms have led to a 70% spike in the number of new foreign business licenses issued by SAGIA in Q1 2019, when compared to the same period last year.

GEM SURVEY

The latest survey of Saudi citizens' perceptions of entrepreneurship underscores a strong desire to start their own businesses.

According to the 2018/19 Global Entrepreneurship Monitor (GEM) Saudi Arabia National Report, just over a third of the Saudi population has expressed their intention to start a new business in the next three years.

Over 5% had started a nascent business not more than three months old, and nearly 7% were running new businesses between three months and 3.5 years in operation. Together, those involved in the nascent and new phases show that a total of 12% of Saudi Arabia's adult population was involved in early stage entrepreneurial activity.

"Among the countries in the MENA region, Saudi Arabia occupies an intermediate position with regard to the percentage of the adult population that declares its intention to start a new business within the next three years," GEM said.

"As Saudi Arabia develops, entrepreneurial intentions may be progressively less influenced by necessity, where people are compelled to create their own source of employment, and more by the development of an entrepreneurial-minded society as the country advances with its Vision 2030 plan."

Another key highlight of the report is the financing needs of Saudi entrepreneurs, which is increasingly being met by informal investors. The survey shows that 12% of the adult population in Saudi Arabia provided funds to entrepreneurs, nearly equal to the entrepreneurship rate. This is an increase over the prior two years and suggests some role in the upward movement in total early-stage entrepreneurial activity (TEA).

"Saudi Arabia's population has a high level of informal investment in entrepreneurs compared to other countries in the MENA region, and also higher than the United States and the average for high-income economies," GEM said. "This demonstrates both the willingness of people to finance entrepreneurs and the critical importance of this funding source for entrepreneurs in Saudi Arabia."

BIDDING FOR GROWTH

Saudi SMEs are eyeing new opportunities and bidding for new contracts amid a surge of projects that are under way in the kingdom.

The Human Resources Development Fund (HRDF) recently revealed that more than 7,000 SMEs joined its platform to partake in bidding opportunities valued at SAR 394 million. The Forsah.sa platform is one of the services provided by the 9/10ths programme and connects buyers and vendors across the kingdom by allowing the former to submit their purchase requests online, so that approved SMEs can access them and offer their proposals based on their field. The platform has already approved SAR 73 million worth of bids.

"The portal offers a number of platforms including Tojjar, APPWEB, Forsah, Bahr, Kanaf, ATWAR, ZADD and EMADAD with the aim of changing the work culture among individuals and the society through encouraging and supporting entrepreneurship and SMEs, as well as enabling entrepreneurs to create jobs from those start-ups," HRDF said.

The Saudi start-up scene is also heating up with Saudi Aramco Wa'ed Ventures providing funding to Hazen.ai, a start-up focused on artificial-intelligence-based traffic analytics and monitoring solutions. Hazen.ai is building advanced traffic cameras with the capability to detect dangerous driving behaviour through video analysis.

Similarly, Zid, a Saudi-based e-commerce company, announced a USD 2 million pre-series A investment led by Elm VC and joined by regional and international VCs, as well as other angel investors.

Saudi start-ups are emerging as major job creators. The GEM report notes that last year, 7.2% of the Saudi adult population received income from paid work obtained via a digital platform.

Taking into consideration that this figure is greater than half of the current Total Early-Stage Entrepreneurial Activity rate in Saudi Arabia (12.1%), it is safe to say that work based on digital platforms is rapidly becoming popular in the kingdom.

"Additionally, the average time allocated by people involved in gig activities is substantial. In Saudi Arabia, 78% of individuals allocated between 10 and 40 hours per month to these activities, while 18.5% allocated more than 40 hours," GEM noted.

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HERITAGE STRENGTH BOOSTS SAUDI TOURISM PROJECTS

One in every SAR 11 is generated by the country's tourism industry, according to the World Travel & Tourism Council.

Last year, the tourism sector contributed SAR 244.6 billion, or USD 65.2 billion, to the Saudi economy, representing 9% of the country's GDP. The industry currently supports 1.1 million jobs, or 8.5% of total employment – roughly one in every 12 jobs, WTTC estimates show.

"Travel and tourism contributes strongly to the economy of Saudi Arabia and has long been recognised as a driver of economic growth, job creation and the development of rural areas," said Gloria Guevara, president and CEO of WTTC, noting that the sector is a key pillar of the Vision 2030 strategy.

"The kingdom has seen tourism increase by more than 60% under Prince Sultan's leadership and we acknowledge his efforts to highlight the kingdom's cultural heritage as an important attraction for tourism."

A report by Savills, the UK-based real estate consultancy, notes that Saudi Arabia's overnight international arrivals is expected to cross 22 million by 2022, compared to 16.1 million in 2017.

"Perhaps the cornerstone of KSA's inbound tourism are the annual pilgrimages of Hajj and Umrah, which drew 2.4 million and 6.5 million visitors respectively, over the two most recent events – forecast to increase to 30 million visitors collectively by 2030," Savills said.

A 30-day visa extension available for Umrah visitors has also contributed to the increase in average length of stay from overseas visitors. This, alongside recent restrictions on the use of non-hotel accommodation in Makkah during Hajj (such as home-stays), has helped to boost hotel occupancy levels in the area during this period, the consultancy noted.

HERITAGE RICHES

Investors and tourists are being drawn to Saudi Arabia's untapped heritage riches. In August, The Royal Commission for AlUla, or RCU, said it had established a partnership with Aman, a leading hotel and resort brand, to develop their first three properties in AlUla.

The Singapore-based company will develop three distinct luxury resorts of architectural excellence including a tented camp, a resort near AlUla's spectacular heritage areas and a third development as a desert ranch-style resort. Work on the projects is expected to commence shortly with the first guest expected in 2023.

"The decision by Aman to open its first resorts in the Middle East in AlUla shows the promise and progress of the vision for AlUla to become a worldwide destination for those seeking unique experiences," said Saudi Arabia's minister of culture, and the governor of the Royal Commission for AlUla prince Badr bin Abdullah bin Mohammad bin Farhan Al Saud. "I believe this partnership will be the next step in the development of the yet-to-be discovered masterpiece that is AlUla."

"Many of our existing Aman destinations are located in areas of outstanding natural beauty and rich history," said the chairman and CEO of Aman, Vladislav Doronin. "With the addition of spectacular AlUla, this takes us to 10 properties situated near or in UNESCO heritage sites, making it a fitting location for our first destination in the Middle East."

The first Aman developments will feature a spa resort featuring 30 luxury tents, another resort will showcase AlUla's natural beauty and the third destination will encompass a desert ranch-style resort with panoramic views.

AlUla, a governorate in the Madinah region has been identified as a cultural and heritage tourism destination. In 2017, the government established RCU to protect and safeguard AlUla, a region of outstanding natural and cultural significance in North-West Saudi Arabia.

"RCU is embarking on a long-term plan to develop and deliver a sensitive, sustainable transformation of the region, reaffirming it as one of the country's most important archaeological and cultural destinations and preparing it to welcome visitors from around the world. RCU's development work in AlUla encompasses a broad range of initiatives across archaeology, tourism, culture, education and the arts, reflecting the ambitious commitment to cultivate tourism and leisure in Saudi Arabia, outlined in Vision 2030," the company said.

COASTAL VILLAGE PROJECT

The partnership with Aman is the second major international resort development for the AlUla region and follows the planned Jean Nouvel-designed resort within the Sharaan Nature Reserve.

Another major development is coming up on the Red Sea. The Red Sea Development Company (TRSDC), wholly owned by the Public Investment Fund, said it has started work on the Coastal Village, a residential and commercial area that will house the workers, staff and management of The Red Sea Project.

The project spread over 28,000 square kilometres on Saudi Arabia's west coast, includes an archipelago of more than 90 islands and lagoons, apart from mountain canyons, dormant volcanoes, desert vistas and ancient cultural and heritage sites. The first phase of the development is planned to open in 2022 and will include hotels, residential properties, a marina, leisure, commercial and entertainment amenities and supporting infrastructure.

Construction of corporate offices is already under way on the Coastal Village site, with a scheduled completion date at the second quarter in 2020. When complete, the project will feature 14 luxury hotels offering 3,000 rooms across five islands and two inland resorts. It will also include a marina, entertainment facilities, an airport, and the necessary supporting logistics and utilities infrastructure.

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